

MARKETABILITY AND FEASIBILITY ANALYSIS
AND
PROPOSED DEVELOPMENT PLAN
FOR THE
UPTOWN AT RIVER'S EDGE SITE
BAY CITY, MICHIGAN
AS OF
APRIL 26, 2004

The Weitzman Group, Inc.
355 Lexington Avenue, New York, New York 10017
(212) 949-4000

April 26, 2004

Mr. Robert V. Belleman
City Manager
City of Bay City
301 Washington Avenue
Bay City, Michigan 48708

Re: Uptown at River's Edge Site – Bay City, Michigan

Dear Mr. Belleman:

The Weitzman Group, Inc. is pleased to submit the results of the marketability and feasibility study prepared for the Uptown at River's Edge property. Based on the results of these analyses, The Weitzman Group, Inc., in concert with Pasanella, Klein, Stolzman, Berg, Architects, prepared a development plan for this property. This study presents our findings, conclusions and recommendations.

The property has an outstanding location in Bay City. The recommended plan capitalizes on the property's size and strategic location on the Saginaw River; it incorporates a unique mix of residential and commercial uses that, over time, will create a vibrant and exciting new neighborhood in the City. Implementation of the plan will not be without its challenges, particularly in the context of the current economic environment. Thus, it will require the collective efforts of the Bay City community at large to convert this plan from a vision into a reality.

Bay City is embarking on this development initiative at a very important time in the history of our cities in the United States. Throughout the country, cities and urban areas are experiencing a rebirth. People of all ages, who are the life source of our cities, are once again returning to live in the city; they want to be close to the cultural and entertainment base of the community. This trend is particularly true of empty nesters, who are the fastest growing segment of the population today. Many retailers, who had once abandoned our cities, are now returning to find new store locations. The corporate community is responding as well because they recognize the growing advantage cities offer as a place of doing business. The academic community is increasingly becoming a major economic driver for many cities in the country as well. Arts, culture, and entertainment venues are also expanding in urban areas in response to this renaissance. In our opinion, Bay City is strategically positioned to capitalize on this emerging trend that is spreading throughout metropolitan areas in the United States. It is now time for the City to re-establish itself as the destination urban center for this region of Michigan.

THE WEITZMAN GROUP, INC.
Real Estate Consultants
355 Lexington Avenue • New York, NY 10017 • 212 949-4000 • FAX# 212 949-0875

It has been a pleasure to prepare this study on behalf of the City of Bay City. Please call us if you have any questions or comments on our report

Very truly yours,

THE WEITZMAN GROUP, INC.

By: _____
Marilyn Kramer Weitzman, MAI, CRE
President
The Weitzman Group, Inc.

By: _____
Thomas Justin, CRE, FRICS
Executive Vice President
The Weitzman Group, Inc.

By: _____
Sherida E. Paulsen, FAIA
Principal
PKSB Architects, PC

By: _____
William Harrison
Associate
The Weitzman Group, Inc.

By: _____
Mark L. Troen, CRE
Consultant to the firm

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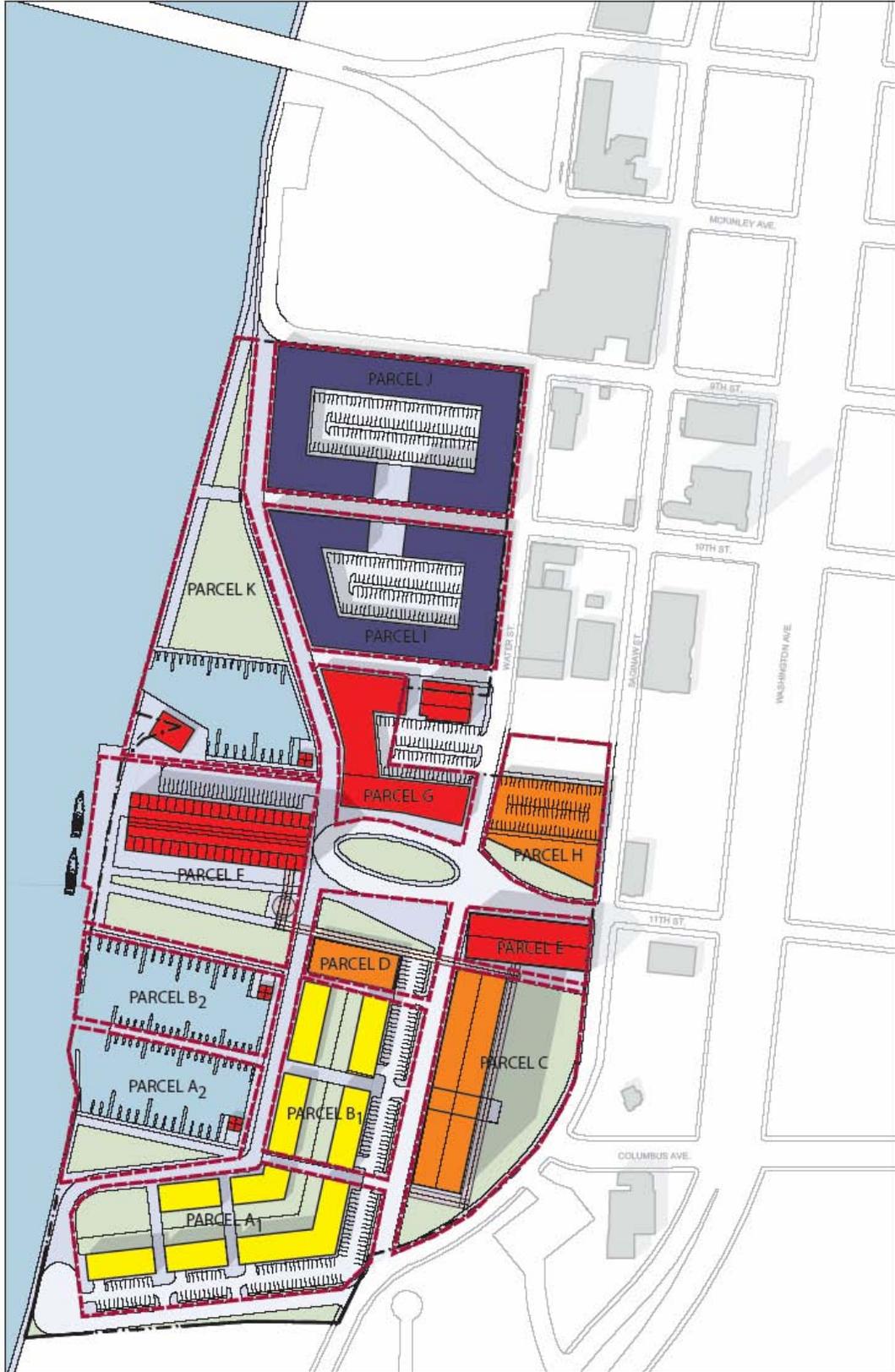
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- ADDENDA -

Physical Assessment – Uptown at River’s Edge Property	
Feasibility Analysis	
Certification of the Consultants	
Qualifications of the Consultants	



UPTOWN AT RIVER'S EDGE SITE



UPTOWN AT RIVERSEDGE SITE AREA
BAY CITY, MICHIGAN

- RESIDENTIAL
- COMMERCIAL
- MIXED USE
- FUTURE INSTITUTIONAL/
OFFICE CAMPUS

Pasanella
+ Klein
Stolzman
+ Berg
ARCHITECTS, P.C.

330 West 42nd Street
New York, NY 10036
tel (212) 594-2010
fax (212) 947-4381

- FINDINGS AND RECOMMENDATIONS -

FINDINGS

THE SITE

The Uptown at River's Edge property has an excellent location in Bay City and within the Saginaw, Bay City, Midland metropolitan area. The location of the property is enhanced by its size which gives it a high degree of visibility in the local market. Furthermore, it has extensive frontage along the Saginaw River which is considered a highly desirable asset in this market. The size of the site will eventually enable the creation of a new neighborhood in Bay City that could, over the long term, incorporate a mix of varied and innovative residential and commercial uses.

The entire site is under a single ownership, the City of Bay City; thus, this should simplify the development process as the City will be able to control the long-term development of the property. Furthermore, it will facilitate a focused strategy to market the property to end users.

The property is contaminated with hazardous materials; however, the presence of these materials will not preclude redevelopment on the property. The contamination will dictate the manner in which the property will be developed and will also impact the cost of development.

There are numerous vacant industrial buildings on the site. Some households and community groups believe that the existing buildings should be saved at all costs, while others have stated that they should be demolished. In our plan, the majority of the buildings will remain on the site; the buildings could be converted to other uses.

Our research indicates that sufficient demand exists now to support housing and a mixed use urban center; subsequent more ambitious residential and commercial phases will follow and eventually create the critical mass needed to transform the entire neighborhood.

THE ECONOMY

The economic and demographic base of the Saginaw, Bay City, Midland metropolitan area has been declining slightly over the past several years. Total employment has declined as well as the number of households residing in the market. A large portion of the local economy is dependent on manufacturing which has continued to decline both in this market as well as in other markets throughout the United States. The most recent economic reports are positive for the manufacturing sector of the country; this is due to strong economic growth over the past two quarters. However, the economic recovery has yet to provide broad-based job growth due to global competition and the rapid rise in productivity. The outlook for the Saginaw, Bay City, Midland market could best be described as stable, with no significant losses or gains projected in employment and households. In our opinion, the City and the metropolitan area should embark on a proactive program to bring jobs into this market; this program should be a top priority of the local and metropolitan area governments. Stronger job growth will facilitate successful development at the Uptown at River's Edge property. The metropolitan area offers many advantages to a prospective business including low-cost housing, a skilled labor force, and an outstanding quality of life; these attributes should be incorporated into a campaign to lure jobs to this market.

The absence of economic and demographic growth in this market adds a level of investment risk to any proposed development, particularly one of the size of the Uptown at River's Edge

property. Thus, strong job growth is critical to enhancing the demand for residential and commercial uses on the site. There *are* development opportunities for the Uptown at River's Edge property; however, the absence of economic growth makes the development process more challenging and more prolonged.

THE REAL ESTATE MARKET

The majority of new condominium housing in Bay City is dominated by luxury product priced in excess of \$400,000. This housing appeals to affluent empty nesters living throughout the metropolitan area. There is a void in the Bay City housing market for: (1) high quality, market rate, Class A rental housing; (2) condominium housing priced below \$400,000 that would appeal to one and two-person households aged between 25 and 44 years; and (3) condominium housing targeted to middle-income empty nesters. Unfortunately, market rental rates for new rental housing are not high enough to justify new construction in Bay City at this time.

The target market for condominium housing would include young one and two-person households that are employed in a professional capacity. These households are drawn to urban environments, because they want to be close to the entertainment and cultural base of the metropolitan area. Modestly priced condominiums would also appeal to the faculty and students of the academic community. The recommended price range that we originally suggested for this phase of condominium development was from \$123,000 to \$175,000. The second phase of condominium housing should be targeted to middle-income empty nesters. The recommended price point that we originally suggested for this second phase of condominiums was from \$190,000 to \$210,000. These units should be larger and offer high quality finishes.

We next analyzed the feasibility of the proposed condominium development plan. Although there is a strong market for moderately priced condominium housing, our analysis indicates that it is not feasible to build condominium housing within our original price range of \$123,000 to \$210,000 per unit. The hard and soft development costs are simply too high to deliver housing within that price range. Our financial feasibility analysis does indicate, however, that condominium units with an average price point of \$266,035 for Section 1A and \$326,221 for Section 1B would be feasible on the Uptown at River's Edge Property. Although these price points are higher than the original target range, our research indicates that there is sufficient underlying demand to support units in this price range as well. Furthermore, housing in this price range accomplishes the objective of providing an alternative housing choice to the luxury units being marketed north of the property. It will also broaden the demographic profile of households living downtown.

The first phase would include 40 units priced at an average of \$266,035; once 75.0% of these units have been sold, sales should commence on the second phase of another 40 units priced at an average of \$326,221. Alternatively, both phases of housing could be marketed simultaneously as they will be targeted to different demographic segments of the market. It is anticipated that the units will sell at a rate of one to two units per month. The marketability of the units will not only be enhanced by their river front views, but also by their proximity to marina slips which are planned for development on the property.

It is recommended that the housing neighborhoods be located in the southernmost portion of the site, just north of the Breakers Cove condominiums. Thus, the housing will be adjacent to other existing residential neighborhoods, particularly those along Columbus Avenue. The housing itself must be innovative in design so as to reflect its urban waterfront setting and to distinguish itself

from other housing initiatives in the metropolitan area. The proposed new housing should include (1) a first floor office area for those professionals who may desire to work at home, (2) four fixture bathrooms in the more expensive units, (3) a spiral staircase on the second floor of the townhouses, leading up to a rooftop garden, and (4) floor to ceiling windows in the living area overlooking the water, among other amenities. The housing parcels should be clustered so that the majority of the units will have river views. Further, the units must be conveniently located relative to the proposed marina.

As stated above, there is an absence of high-quality, market rate, class A rental housing in Bay City. This type of housing is an important alternative to young households seeking an urban environment but yet who do not economically qualify for ownership housing.

The market for rental housing in this metropolitan area is quite weak above \$900 per month; rents above this level start to approach the monthly mortgage payment for an entry-level single family home. Thus, it is virtually impossible to market rental housing in excess of \$900 per month in Bay City. Due to the relatively low market rental rates achievable in this market, we are not recommending rental housing on the site; it is not financially feasible to do so since market rental rates are simply not high enough to justify new construction.

Furthermore we do not recommend the development of any large-scale conventional retail space on the site, because such an initiative would adversely impact downtown Bay City. In addition, there is no underlying demand to support conventional retail development in downtown Bay City. However, approximately 10,000 to 12,000 square feet of neighborhood support retail such as a dry cleaners, delicatessen, or sundry store, and possibly a small bank branch, will be required in order to enhance the marketability of housing on the Uptown at River's Edge site.

During the visioning sessions, many participants noted that they would like to see a part of the property developed with family entertainment uses; many others noted a desire to have an authentic farmer's market on the site. Our research indicates that the site could support 50,000 square feet of retail. However, as will be discussed in a subsequent section, any retail initiative on this property must be very unique in character and, most certainly, complement rather than compete with downtown merchants.

There is no market for the development of speculative office space on the site at this time; there is simply no underlying demand to support this use during the initial phase of development. However, the northern portion of the site should be reserved for various types of commercial and institutional uses. These sites should be used as part of a broad marketing program to attract corporate users, and therefore jobs, to downtown Bay City and Columbus Avenue.

In addition to attracting new businesses, we strongly recommend that the City market the northern portion of the site to academic institutions throughout the State of Michigan for use as a satellite campus. Again, throughout the country, academic institutions are expanding outside the boundaries of their campuses to broaden enrollment and exposure in the marketplace. The Uptown at River's Edge property would be an outstanding location for such institutions because of its urban presence and its high degree of visibility. Colleges and universities have become a major economic driver and a source of revitalization in urban areas throughout the country. Universities partner and collaborate with the corporate community on a wide range of initiatives; thus, they have become an "export" industry for many cities in that they bring fresh money into urban areas as do many new businesses. Again, this is a clear example as to how to attract new employment into the city despite the fact there may be no overall job growth in the metropolitan

area. Job growth is the key economic driver influencing housing demand and job growth will enhance the long-term demand for housing on the Uptown at River's Edge site.

THE TOURIST AND CULTURAL MARKET

A large number of participants at the visioning sessions noted that they would like to see a major tourist attraction developed on the Uptown at River's Edge property; one that would be on the scale of other major tourist destinations in Michigan. We believe that a destination entertainment use will be an important component of the plan for the Uptown at River's Edge site. However, we do not recommend that a destination use, similar to those in other parts of the State, be the *only* use on the property for several reasons. First, the destination entertainment use proposed on the site must be *unique* to Bay City, so that it differentiates this market from other destination locations in the state. Second, the tourist market in Michigan is not sustaining significant growth; therefore, it would not be prudent to put all of our "eggs in one basket". Furthermore, it would not be prudent to develop entertainment uses that are in direct competition with those in other well established tourist destinations in the State. In other words, a mixed-use development plan would represent a lower degree of investment risk than a plan dominated by a single use, such as an indoor water park.

We recommend that discussions begin to have the City designated as a port of call for cruise ships sailing throughout the Great Lakes. The port of call would attract tourists from throughout the metropolitan area and would, therefore, increase the level of traffic into Bay City.

A number of participants at the visioning sessions noted that they would like to see one or more of the existing structures on the site converted into a museum that would house a local collection of dolls and fire engines. Unless there is very significant funding from public and/or private sources, it is not feasible to develop separate buildings for museums at this time. Museums do not expand the tax base of the community and often require public operating subsidies. However, over time, these uses could be incorporated into one or more mixed-use structures on the property as the community matures. Arts and cultural institutions are the strings that tie the fabric of a community together. They will eventually play an important role in the overall development of the Uptown at River's Edge property.

During the past month, the City of Bay City has been approached by a local entrepreneur to determine if the City would be interested in developing a minor league baseball stadium on the Uptown at River's Edge site. In our opinion, sports stadiums do not provide significant stimulus to the economic base of a city. Furthermore, the construction of such a stadium would most likely require substantial public subsidies. In our opinion, the portions of the site designated for commercial and institutional development should be reserved for those uses that will bring jobs into Bay City.

THE RECOMMENDED DEVELOPMENT PLAN

In developing the plan for the Uptown at River's Edge site, we took into consideration many of the objectives and observations that were presented to us by members of the Bay City community. These are summarized below:

- To create a market-driven concept plan for the site;

- To create a new neighborhood in Bay City where residents can live, work, socialize, and recreate;
- To create a plan which is sustainable with underlying demand throughout the year;
- To create a plan that capitalizes on the rich history of Bay City;
- To create land uses that will ultimately enhance the tax base of the City;
- To create a unique destination that will draw visitors from the entire state of Michigan;
- To create a plan wherein the potential may exist to convert the existing structures on the site to an alternative use; and
- To create a plan which complements and enhances adjacent neighborhoods, particularly the downtown area and the Columbus Avenue CDC.

The Development Concept

The Uptown at Rivers Edge property should be developed into an exciting master-planned community that incorporates a mix of residential, commercial, specialty retail, and destination entertainment uses. The goal is to create a vibrant urban waterfront neighborhood in Bay City. The focal point of this new community will be the “*Foundry Marketplace at Bay City*”. The concept behind the *Foundry Marketplace at Bay City* is to create a thriving urban bazaar on the site, where workers, families, and tourists can shop, learn, dine, socialize, and be entertained. The existing Foundry building is centrally located on the waterfront, perpendicular to the Saginaw River. We recommend that the existing Foundry building be converted into a retail and entertainment venue. This concept is the “development theme” for the Uptown at River’s Edge site. It will be the *signature* development on the site, one that will have a high level of identity and recognition from visitors and residents entering Bay City from the Veterans Bridge. A docking facility that can accommodate cruise ships should be situated at the western entrance to the Foundry building. Thus, the *Foundry Marketplace at Bay City* will serve and be marketed as a major tourist destination. While many of the building’s original features should be retained, it is envisioned that the side walls will be replaced with glass, so that the indoor activity is clearly visible from the outdoors. In the evening, the building will “light up” downtown Bay City and become a beacon for residents, visitors, and tourists. The *Foundry Marketplace at Bay City* will be designed to include a wide range of specialty retail, organic and fresh produce, a fish market, family entertainment venues, waterfront dining, a petting zoo, and an indoor amusement park, among other uses.

The second major component of this new neighborhood should be housing. The objective is to provide a variety of housing types at different price points so as to attract a broad cross section of residents to this new neighborhood. Housing is vital to the long-term development of this site, because people are the life source of a downtown community. New residents will provide the energy and spending power to transform the City from simply a place to work into a vibrant twelve hour city.

The marketing strategy is to sell off improved building sites to residential and commercial developers. This will require the City to act in the capacity of the master developer, wherein the City will provide the infrastructure (including piling where necessary), utilities, and

environmental clean-up of the development parcels. However the City may elect to use one or more programs whereby the developer could be reimbursed for the cost of infrastructure; one such program would be Tax Increment Financing. Although the sites will be sold, the City must maintain control over the development process. The enactment of strict zoning ordinances together with reasonable CCR's¹ will enable the City to maintain control over the first and future phases of development of the site.

We do not recommend that the City enter into ground lease arrangements with developers. First, this strategy may eliminate certain developers from responding to the RFP. Second, ground leases will complicate the process of obtaining construction and permanent financing. Third, state law typically prohibits the development of condominium housing on leased land. Fourth, it could adversely impact the sale of the units to homebuyers who simply are adverse to this ownership structure.

As discussed below, the development proposed for the first phase will utilize a small portion of the site; it may require up to three to four years before the initial phase of housing is built and occupied and until the retail component achieves stabilized occupancy. As previously stated, the economic base of this market will not support rapid development of the Uptown at River's Edge property. As a result, a very defined site plan (i.e. showing specific zoning overlays together with covenants, controls, and restrictions) should be prepared for the first phase of development, however, the plan for subsequent phases must be very flexible, so that the future plan can evolve and change with the overall market changes.

PHASE ONE

Housing

The first phase of development will include approximately 40 condominium units to be followed by second section of another 35 units. Convenience retail space of approximately 10,000 to 12,000 square feet should be incorporated into the first phase in order to enhance the marketability of the housing initiative.

The first phase of housing should be located in the southern portion of the site. The recommended housing program for the first phase of development is presented in Table 1 which follows:

¹ Covenant Controls Restrictions

TABLE 1
UPTOWN AT RIVER'S EDGE
CONDOMINIUM HOUSING

Section 1A

Unit Type	Unit Mix	Unit Size	Unit Price Per SqFt	Sales Price
1 BR / 1 BA	25.0%	875	\$270	\$236,250
1 BR /D/ 1.5 BA	35.0%	1,000	\$260	\$260,000
2 BR / 2 BA	25.0%	1,100	\$255	\$280,500
2 BR /D/ 2 BA	10.0%	1,175	\$253	\$297,275
2 BR /D/ 2.5 BA	5.0%	1,300	\$248	\$322,400

Average \$266,035

Section 1B

Unit Type	Unit Mix	Unit Size	Unit Price Per SqFt	Sales Price
2 BR / 2 BA	50.0%	1,250	\$250	\$312,500
2 BR /D/ 2.5 BA	50.0%	1,450	\$235	\$340,750

Average \$326,221

Source: Compiled by The Weitzman Group, Inc.

The product features and amenities required to achieve the recommended price points are presented in the last section of this report. The market acceptance and success of the first phase of the development program will provide a guide for future successful phases of development.

In addition to condominium housing, we are recommending that the *Foundry Marketplace at Bay City* be incorporated into the first phase of the development. Our research indicates that there is sufficient demand to support the development of this complex now. As stated above, it will be the *signature* development on the property and it will set the image for all future phases of development.

The Foundry Marketplace at Bay City

The *Foundry Marketplace at Bay City* will be a hybrid use combining the best elements of a traditional farmer's market, a specialty retail center, family entertainment, dining, and education. It should combine concepts found at the Mall of America, and successful urban destination centers such as Pikes Place Market in Seattle, The Ferry Building in San Francisco, St. Louis Union Station, and Stew Leonard's (the specialty supermarket in Norwalk, Connecticut). It will become the focal point of this new community where residents and visitors can seek entertainment, shop, dine, and socialize. It will attract visitors from throughout the metropolitan area and will enhance the flow of tourists into Bay City.

The *Foundry Marketplace at Bay City* should be located on the water in the existing Foundry building. The building may have to be enlarged to a certain degree to accommodate the range of uses proposed for this complex. The main attraction in building will be a ground floor miniature

amusement park similar in concept to Camp Snoopy in the Mall of America in Minneapolis. The park will provide a great source for family entertainment; it should have great appeal to children and young adults. In essence it will be an anchor or become the “magnet” that attracts families from a wide trade area.

The amusement park should occupy the ground level and the middle “atrium” of the building. The balance of the building should be devoted to a variety of uses that will be located on different tiers of the building. These uses would include but be limited to the following:

- Traditional stalls found in a farmer’s market with vendors selling fresh produce;
- An organic food station;
- An old fashion dairy mart that incorporates an outdoor petting zoo;
- A fresh fish market (where the fish is also served at the on-site restaurants);
- Artesian Products – Cheese, homemade pies, honey, etc.;
- A station devoted to hand-made items such as table cloths, apparel, embroidery, etc.;
- A craft station;
- Outdoor Hunting, Boating, and Fishing Station;
- A fine dining restaurant on the water;
- Casual dining establishments with a raw bar and evening entertainment;
- Education (“How to” instructional classes on pottery, cooking, arts and crafts, etc.)

The *Foundry Marketplace at Bay City* should be marketed as an urban experience -- one that combines family entertainment, shopping and dining under one roof. Careful attention was paid to the types of recommended uses in the *Foundry Marketplace at Bay City* in that we did not want to introduce venues that would compete with downtown or Columbus Avenue merchants. The *Foundry Marketplace at Bay City* must be enclosed so as to attract visitors throughout the year. The intent is to create an exciting “bazaar” atmosphere along the waterfront. The success of the *Foundry Marketplace at Bay City* will depend on how well the project is executed and on attracting an experienced operator. The *Foundry Marketplace at Bay City* will also complement the new Doubletree Hotel and Conference Center in that it will provide a close-by tourist destination for visiting guests.

It is imperative that the development of the Uptown at River’s Edge site complement and enhance the economic base of downtown Bay City. The introduction of new housing on the site will certainly have a positive impact on downtown merchants. Beyond housing, it is important that a coordinated marketing effort be implemented so that any tourist traffic generated by the *Foundry Marketplace at Bay City* is also directed to the downtown area. This can be accomplished through the use of coordinated marketing literature, signage, trolley shuttles between downtown and the site, and public announcements of events, among other methods. The Uptown at Rivers Edge

property should not be developed at the expense of the downtown market, but rather should enhance retail sales for downtown and Columbus Avenue merchants.

FUTURE DEVELOPMENT PHASES

The development of new housing is an important component of revitalizing downtown Bay City. We strongly believe housing should be incorporated into each subsequent phase of development on the site. People are the life source of downtowns throughout the United States. New households bring fresh money into a city and provide the support for the arts, culture, commercial and retail uses.

As previously stated, once the first 75.0% of the condominiums in Section 1A have been sold, sales and marketing should commence on the subsequent Section 1B of condominium housing. Alternatively, both phases of housing could be marketed simultaneously as they will be targeted to different demographic segments of the market.

The success of all future phases of development at the Uptown at River's Edge property will be contingent on bringing new jobs into or near Bay City. Without job growth, the development of the Uptown at River's Edge site will proceed at a slow pace. Thus, it would be appropriate to allocate land in subsequent phases for office or R&D uses that can be part of a strategic economic development plan to bring new jobs into Bay City. For example, we strongly recommend that the City encourage academic institutions throughout the State to establish a campus in Bay City. Universities today play a very important role in the revitalization of cities throughout the United States. Institutions of higher learning provide an important source of new housing demand stemming from both faculty and students. In addition, these institutions create jobs through their strategic partnerships with the corporate community.

The Uptown at River's Edge site can be transformed into a vibrant new neighborhood in Bay City that will include a wide variety of housing, diverse retail, commercial space and entertainment venues. A major goal for this development is to create the demand for uses that will ultimately expand the tax base of Bay City.

FEASIBILITY ANALYSIS CONCLUSIONS

The initial concept plan for the first phase of development includes two phases of condominiums in addition to the *Foundry Marketplace at Bay City*. The methodology used to evaluate the feasibility of each use was to estimate the return on investment to ensure that it was commensurate with the level of development risk inherent in the project. In addition, we processed a series of detailed discounted cash flow analyses that overlay construction and permanent financing so as to measure a developers return on equity. The assumptions used in the discounted cash flow analysis are presented in the Addenda together with the financial projections. Our conclusions are summarized below:

- Moderately priced condominium housing in the range of \$122,500 to \$210,000 is not feasible to develop on the site. The hard and soft development costs exceed the amount by which one could sell the homes by a very large margin.

- Condominiums selling at an average price of \$266,000 in Section 1A and \$326,000 in Section 1B are feasible to develop on the site assuming the City delivers a finished site to a developer. In other words, the City would be responsible for site preparation costs, utilities, and surface site development. The developer would make a payment to the City for the land and assume all hard and soft costs associated with the construction of the units. Under this scenario, the developer would receive a 20.50% return on its equity investment, which we believe is sufficient given the development risk associated with this phase of the project.
- The *Foundry Marketplace at Bay City* is feasible to build under the following assumptions; (1) the City may have to assume all site preparation cost, utilities, and surface site development costs; (2), the “all in” hard and soft development costs, plus land, cannot exceed \$136.00 per square foot; and (3) a partial abatement of real estate taxes through the Obsolete Property Rehabilitation Act would be required in order to ensure that the retail rents are competitive in the marketplace. Under these assumptions, the return on equity is projected at approximately 19.21% which we have concluded is sufficient to attract investment capital to this project.

CONCLUSIONS

The Uptown at River’s Edge property has an outstanding location in Bay City and within the Saginaw, Bay City, Midland metropolitan area. The potential exists to create a vibrant new neighborhood that would contribute to the long-term economic vitality of Bay City. Nevertheless, the development process will be challenging given the current economic environment. The development of the site will take place over a considerable period of time. The first phase alone could take up to four to five years, before all the condominiums are sold. The development timeframe could certainly be accelerated if the City is successful in its efforts to attract commercial and institutional users to the site. During the course of conducting our research, it was quite apparent that the community leaders are sincerely interested in embracing a plan that will enhance the long term economic outlook of the City. During the initial phases of development, a collaborative effort will be required amongst residents, business and civic leaders, and city government to ensure the successful development of the Uptown at River’s Edge site.

THE DEVELOPMENT PLAN²

INTRODUCTION

The preliminary site plan for the Uptown at RiversEdge property has been designed to:

1) address issues raised during the visioning sessions and the ULI study; 2) respond to market realities discovered during the preparation of the marketability study; 3) recognize the site constraints and opportunities provided; 4) propose a new direction for this large and important location.

VISIONING SESSIONS

During the three visioning sessions, several themes regarding site design became apparent:

HISTORY

The majority of session participants expressed a strong desire to retain the major existing buildings on the property. They also stressed Bay City's success in preservation of older homes, the strong presence of the Historical Museum, located near the property, and the potential to link the site's future to a connection with its past.

NATURE

The property's location along the Saginaw River, and the potential for new landscape and river access was seen as a key component for the site's future development.

ACCESS

Access to the property was seen by session participants as important in two ways: 1) connection to Bay City neighborhoods, especially the Columbus Avenue area; 2) connection to the waterfront should remain available to the public, whatever the future use of the property.

RELATIONSHIP TO DOWNTOWN

All of the session speakers noted the importance of the current rejuvenation of Bay City's downtown. It was seen as extremely important that the future of the Uptown at RiversEdge site be complementary both in use and character.

ULI

The representatives from the Urban Land Institute responded to Bay City in a very pointed report that recommended expansion of the study area boundaries, demolition of all structures on the site and simple planting to beautify the area, development of a parking strategy for the area, and development of a job-focused economic plan to attract new businesses and then new residents to Bay City.

² Prepared by Pasanella, Klein, Stolzman & Berg Architects, PC

The result of the research and planning conducted by the Weitzman Group and PKSB Architects is a different approach to economic development in Bay City. This report and plan predict that the attraction of new residents to Bay City can be realized initially with a new waterfront development that is targeted to specific market groups, and that a new destination development will aid this effort by providing the environment and the amenities that these market group's desire.

MARKET REALITIES

Bay City enjoys an excellent community image in the Tri-Cities metropolitan area. Bay City's emphasis on preservation of a walkable downtown setting with historic buildings, combined with the development of a family destination during the summer months at the RiverWalk, Tall Ships events, and Fireworks displays has led to a sense within the region that Bay City is a wonderful place to visit.

Equally important was the discovery that the housing market for young professionals and empty-nesters in a moderate price range is currently underserved. These market groups would likely be most interested in the environment that a mixed-use waterfront development in Bay City could provide.

The other discovery was that there was a demand for fresh produce, meats and fish, that is not being met. This trend toward a desire for high-quality foods is driving development at waterfronts in unique ways across the country.

SITE CONSTRAINTS & OPPORTUNITIES

The site analysis prepared by PKSB Architects illustrated various ways to approach site planning, concluding that a traditional street and block plan would best allow for incremental development on the site. In addition, the analysis recommended retaining four of the larger existing structures to give the site instant visibility and recognition, along with the creation of new waterfront areas for boat marinas, environmental education, and waterfront access to tour boats and water taxis.

NEW DIRECTION

The recommendations of the Phase 1 work resulted in a focus on developing a preliminary site plan that achieves the following goals:

Given market conditions, prepare a plan for the site that allows for phased development; Provide a new weekend destination for the region that will be: attractive to families, protected from severe weather, and a thematic link to Bay City's maritime and agricultural setting; Provide new housing opportunities for young professionals, first-time buyers and empty-nesters; Allow for *future* development of a new commercial office or institutional campus in close proximity to City Hall and the downtown; Connect the site to Bay City's existing neighborhoods to foster greater access to the Saginaw River, the city's historic life-blood.

PRELIMINARY SITE PLAN CONCEPT

To develop a preliminary site plan for the Uptown at River's Edge property, the methodology involved investigating other large-scale waterfront development projects to determine a balance of land uses along with an approach to site design principles. The projects selected for review

shared with the Uptown at River's Edge key project goals: 1) Spur economic development; 2) Attract new visitors; 3) Attract new businesses and residents.

The cities and development initiatives studied by the marketability study were evaluated for their common issues with Bay City as regional destinations. The urban design and development models investigated for this phase of the project provide guidance and inspiration at a more national level to set key planning and design objectives. Projects reviewed included:

Battery Park City in New York, NY;
Cityplace in West Palm Beach, FL
Inner Harbor in Baltimore, MD;
Queensway Bay in Long Beach, CA.

Common elements of all of the site developments that promoted their implementation included adoption of site plans for the waterfront and adjacent upland areas through zoning and/or design guidelines, and public-private partnerships to provide desirable settings for private investment and to initiate cultural facility development.

From a strictly planning perspective, each of the plans relied heavily on: 1) the identification of distinctive districts within the larger development plans; 2) the development of beautifully-designed streets, walkways and plazas or parks to create new addresses and provide clear circulation; 3) the use of cultural facilities as anchors and attractions; and 4) water-related activities or links to waterfront areas as key destinations.

Some differences also emerged from the study: two site plans incorporated significant residential development, while two did not. Three of the plans incorporated aquarium destinations along with convention facilities, while one did not.

The lessons learned from these plans have provided a framework for the preliminary site plan of Uptown at River's Edge. The plan is to include definition of distinctive districts, a variety of streets and blocks, clear circulation strategies, and a diversity of open space types.

PRELIMINARY SITE PLAN ORGANIZATION

NEIGHBORHOOD DISTRICTS

The plan is composed of four new neighborhood districts. Two are extensions of adjoining areas, and two are new attractions centered on new open spaces. Each district has a distinctive gateway into the site that will connect River's Edge to its immediate neighborhoods.

The plan also proposes a new River's Edge Esplanade that will meander along the new development and the Saginaw River to connect the *Foundry Marketplace at Bay City* and new residential development to the City Hall Promenade and downtown Bay City along an improved Saginaw Street

PROMENADE CAMPUS

This initiative is primarily a streetscape improvement to link Washington Avenue to the new Esplanade along 10th Street. It will create a new address for future phases of development, and

provide an important pedestrian environment to connect with an improved Saginaw Street as the upland connection to the downtown historic district, hotel and conference center.

FOUNDRY MARKETPLACE AT BAY CITY

This new retail district is themed to tie in with the traditional use of waterfronts as markets. Through adaptive re-use, the existing Foundry and Corner Buildings will become the anchors of a vibrant new market and retail center at the River's Edge site. A new all-weather connection between them will provide an exciting icon and viewing platform. New buildings and parking to be developed between Saginaw Street and the new Esplanade will provide additional opportunities for mixed-use and future retail.

COLUMBUS SQUARE

This new civic space will link the Columbus Avenue neighborhood to a new mixed-use enclave centered on the Square. Adaptive re-use of the Kahn building for a mix of uses, and the Corner Building as described above will provide a destination for the Columbus Avenue neighborhood. In addition Columbus Square will provide the gateway to Columbus Cove.

COLUMBUS COVE

A new residential neighborhood will address the desire for additional waterfront and water-related housing in a walkable and urban environment. The housing will focus on a new marina visible from Columbus Street through a sparkling new galleria in the Kahn Building.

STREETS AND BLOCKS

The layout of the site extends existing street and block patterns to connect the site with the remainder of Bay City. The plan also introduces new curvilinear street patterns as the development moves from the downtown and Washington Street toward the waterfront. The subtle gradation of block sizes allows for a variety of development parcel opportunities, both in size and land use. This pattern also allows for new utilities to be constructed using existing rights-of-way.

CIRCULATION

The success of new development at the Uptown at River's Edge property will depend on clear and visible access to the site. From the moment a visitor crosses the Bridge, new signage should direct one to the entry points. In addition to signage however, design cues will be given by the different design characteristics of each element of the site circulation.

GATEWAYS

The major new gateway for the region to River's Edge will be Foundry Place, which will be visible from and accessible to Washington Street, the primary vehicular connector. In addition, new site entrances will be located at City Hall and at Columbus Square. Each gateway leads to a major site connector.

GATEWAY CONNECTIONS

East-West

The major connections linking the city-side of the site to the new districts will be the Galleria, an enclosed all-weather attraction connecting Columbus Square to the *Foundry Marketplace at Bay City*, the Kahn Arcade, a pedestrian oriented and a partially covered path connecting Columbus Square to Columbus Cove around and through the historic Kahn Building; and City Hall Promenade, an extension of existing 10th Street for both cars and pedestrians to link City Hall at Washington Street to the future Campus District.

North-South

Additional city links will be the connection along Saginaw Street, which will tie the Foundry Place gateway to the new Doubletree Hotel and conference center and downtown Bay City to the north, and Columbus Avenue and renovated Water Street to the south; and the River's Edge Esplanade, a new outdoor park path meandering along the Saginaw river waterfront connecting the Riverwalk paths to the north through Foundry Place and on to the Riverwalk path at Breakers Cove. The Esplanade will also provide for emergency vehicle access to development areas close to the waterfront.

Internal vehicular circulation will be distributed along New Water Street, which will extend existing remnants of historic Water Street, and will provide access to the all site parking areas. Parking areas will be screened by buildings or landscaping.

Open Space

The concepts for new open spaces to be provided in this preliminary plan have been developed with the notion that they must differ from those already existing in Bay City. Therefore, they are not sports and recreation focused, but designed for either quiet contemplation of the riverfront in Promenade Park at the end of the City Hall Promenade, or the hustle and bustle of a market square at the Foundry Place and Columbus Square. In addition, the plan envisions two new marinas, one for the residents of Columbus Cove and one for transient boats at Monarch Cove to be located adjacent to *Foundry Marketplace at Bay City* and the Monarch building.

PRELIMINARY SITE PLAN PROGRAM

In developing the preliminary site plan program, the street and block plan has been structured to respond to both the market study recommendations and the community's desires. The two key land uses identified for the property's near-term development are residential of a higher density, and retail destination. To distinguish these uses from redevelopment occurring in the downtown area, the plan proposes housing types that are of a different price point, and retail that is themed for food and waterfront activities, in contrast with the existing shops in the downtown, themed primarily for fine arts and crafts, and mall tenants. Most importantly, the site is divided into parcels that allow for flexible and phased development that is spurred by a first phase of construction that both responds to market demand, and encourages future phases.

The longer-term marketability of the northern portion of the site should be considered as either office or institutional campus type use. This allows for either one or two developers to come into

the city, and into an already improved waterfront environment in close proximity to the center of Bay City for both business and government affairs.

CONCLUSION

The preliminary site plan envisions an important role for the Uptown at River's Edge property in Bay City's long term economic life: that of a transformational engine to attract new visitors through an expanded destination season, and new residents to housing not currently provided in the immediate region.

The City's long history as a waterfront of activity, initially through industry and recently through tourism, is a strong magnet. Bay City's identity as a place that takes pride in its historic structures is also a strong draw. Most important is the Bay City tradition of looking ahead – and insisting on new development that adds to Bay City, whether it is new residents, new visitors, and eventually new businesses and institutions.

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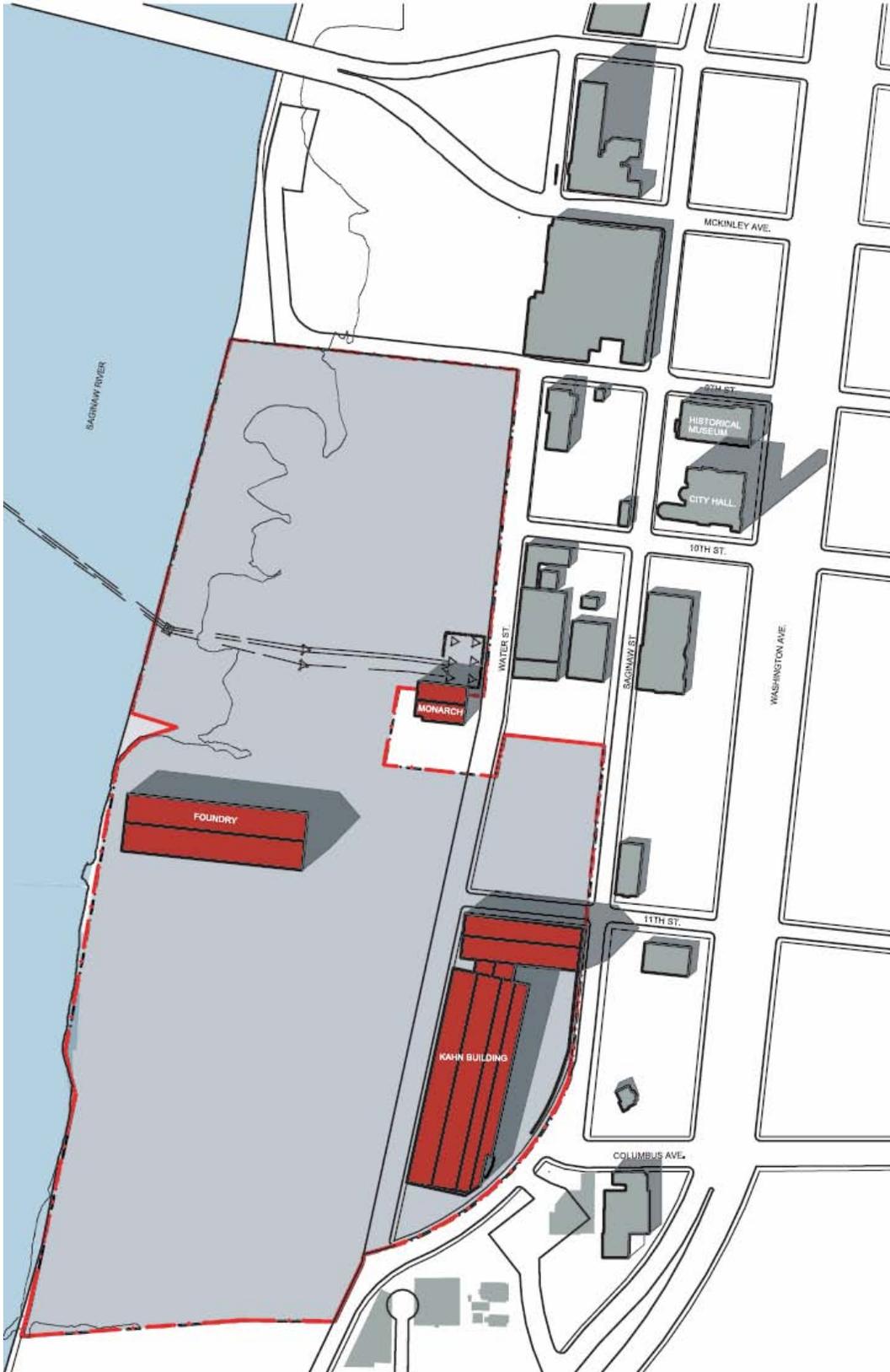
PRELIMINARY SITE PLAN PROGRAM
Initial Development Phases 1-3

Residential	# of Units	# of Spaces	SF
Townhouses	80	136	112,000
Flats	144	245	201,600
Parking	<u>0</u>	<u>381</u>	<u>133,350</u>
Subtotal	224	381	446,950
Commercial			
Retail	0	252	84,000
Marketplace	0	150	50,000
Restaurant	0	50	10,000
Foundry Place	0	36	12,000
Entertainment	0	75	25,000
Office	0	176	88,000
Parking	<u>0</u>	<u>739</u>	<u>258,650</u>
Subtotal	0	739	527,650
Mixed Use			
Retail	0	315	105,000
Flats	24	40	33,600
Performing Arts	0	125	13,000
Parking	<u>0</u>	<u>480</u>	<u>168,000</u>
Total	24	480	319,600
Future Development (2 options)			
Campus (low)			
Commercial 1	0	166	83,400
Commercial 2	0	208	104,100
Parking	<u>0</u>	<u>374</u>	<u>130,900</u>
Total	0	374	318,400
Campus (high)			
Commercial 1	0	668	333,600
Commercial 2	0	832	416,400
Parking	<u>0</u>	<u>1500</u>	<u>525,000</u>
Total	0	1500	1,275,000

PRELIMINARY SITE PROGRAM

Preliminary Site Plan Land Allocation

Land Use	<u>Acres</u>	<u>% of site Area</u>
Residential	9.3	21
Commercial	7.4	17
Mixed-use	6.5	15
Future		
Commercial/Institutional	7.7	18
Open space	5.7	13
Streets	<u>6.8</u>	<u>16</u>
Total	43.4	100.0%



JPTOWN AT RIVERSEDGE MASTER PLAN
DAYTON, MICHIGAN

SCALE 1" = 400'

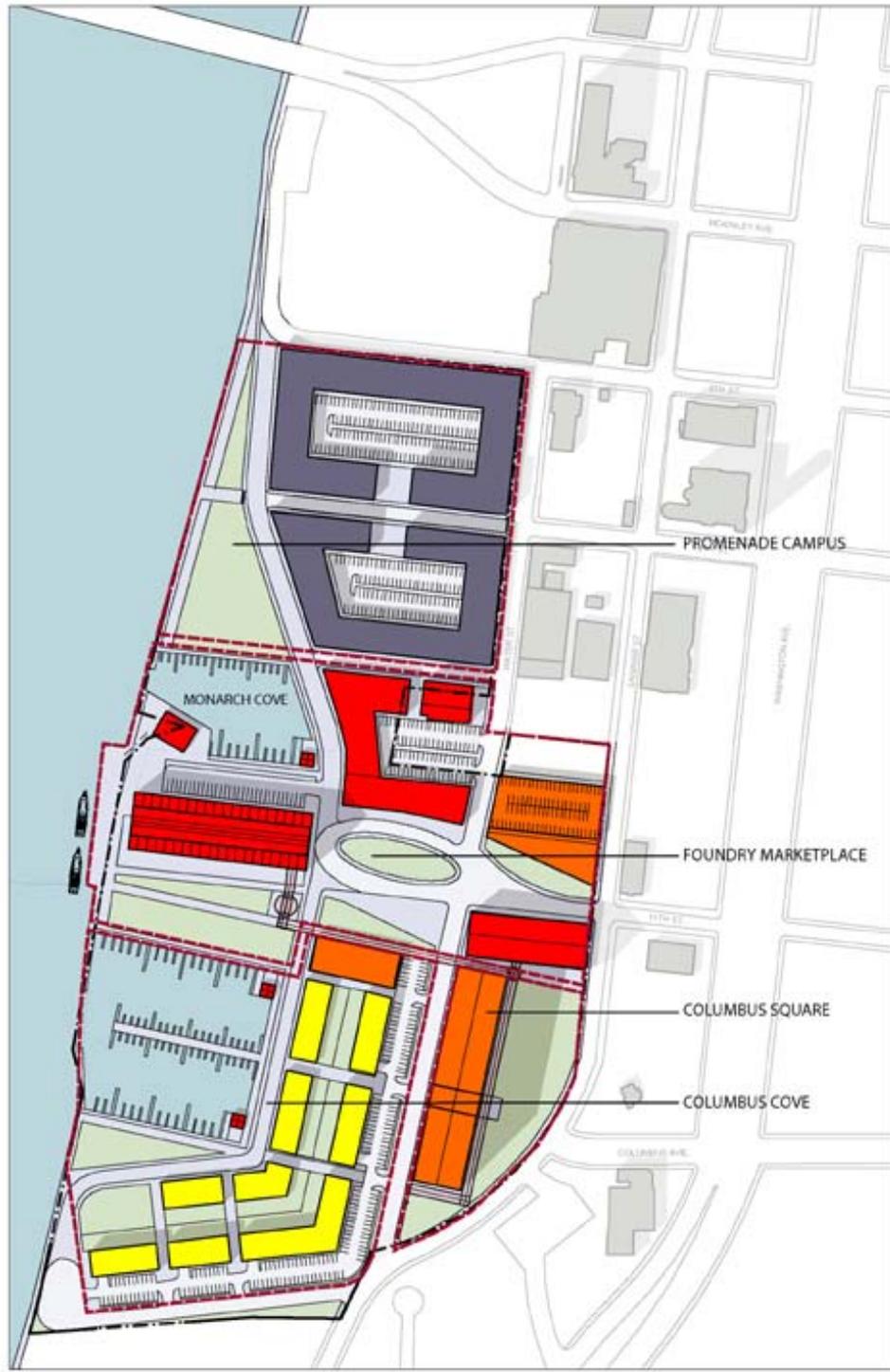
Pasanella
+ Klein
Stolzman
+ Berg
ARCHITECTS, P.C.

330 West 42nd Street
New York, NY 10036
tel (212) 594-2010
fax (212) 547-4381



UPTOWN AT RIVERSEDGE AERIAL VIEW
BAY CITY, MICHIGAN

Paparella
+ Klein
+ Solomon
+ Berg
ARCHITECTS, P.C. 330 West 42nd Street
New York, NY 10036
Tel: (212) 966-2912
Fax: (212) 947-4381

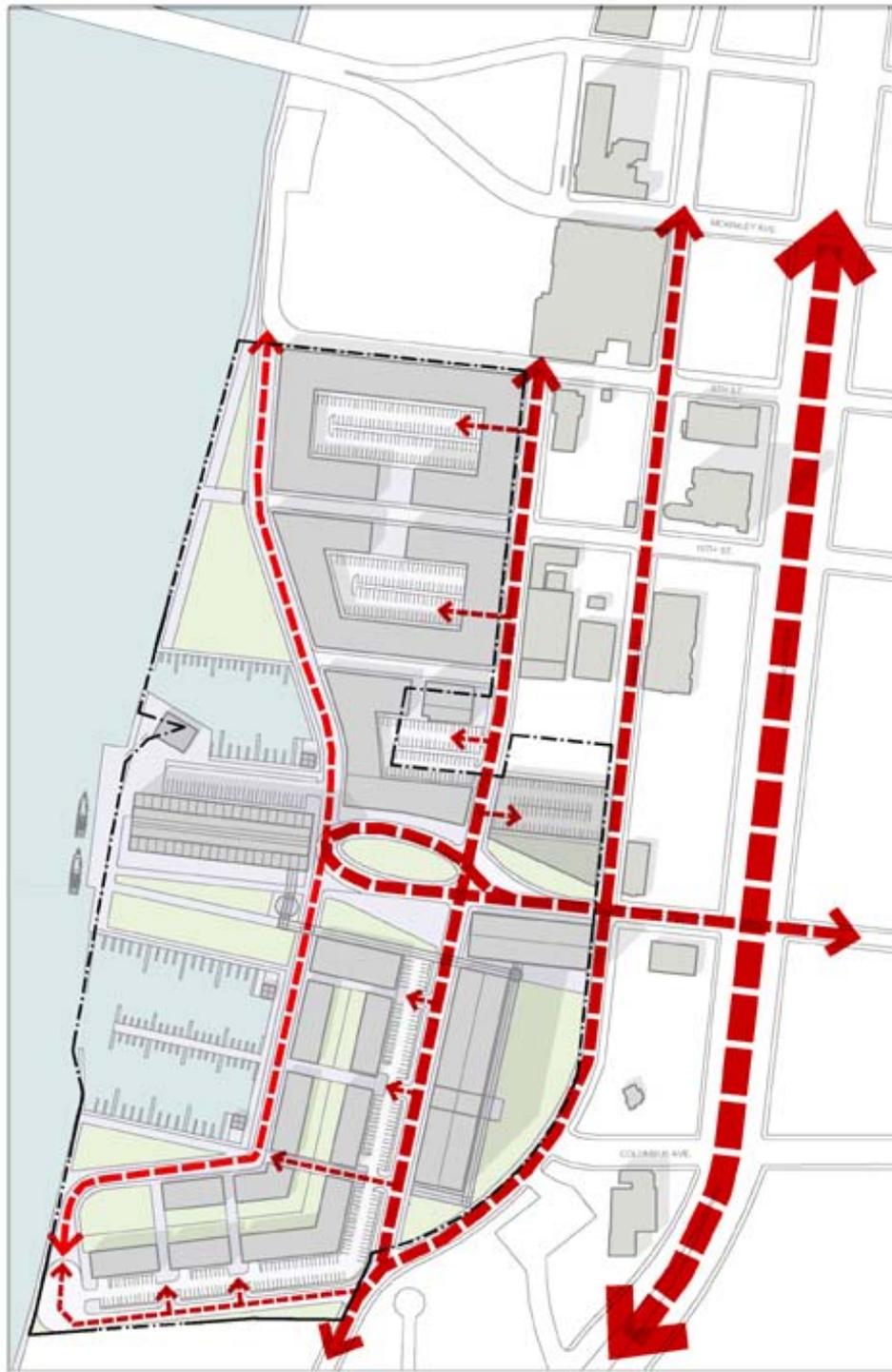


UPTOWN AT RIVERSEDGE DISTINCTIVE DISTRICTS
BAY CITY, MICHIGAN

- RESIDENTIAL
- COMMERCIAL
- MIXED USE
- FUTURE INSTITUTIONAL/ OFFICE CAMPUS

Paranella
+ Klein
Stolzman
+ Berg
ARCHITECTS, P.C.

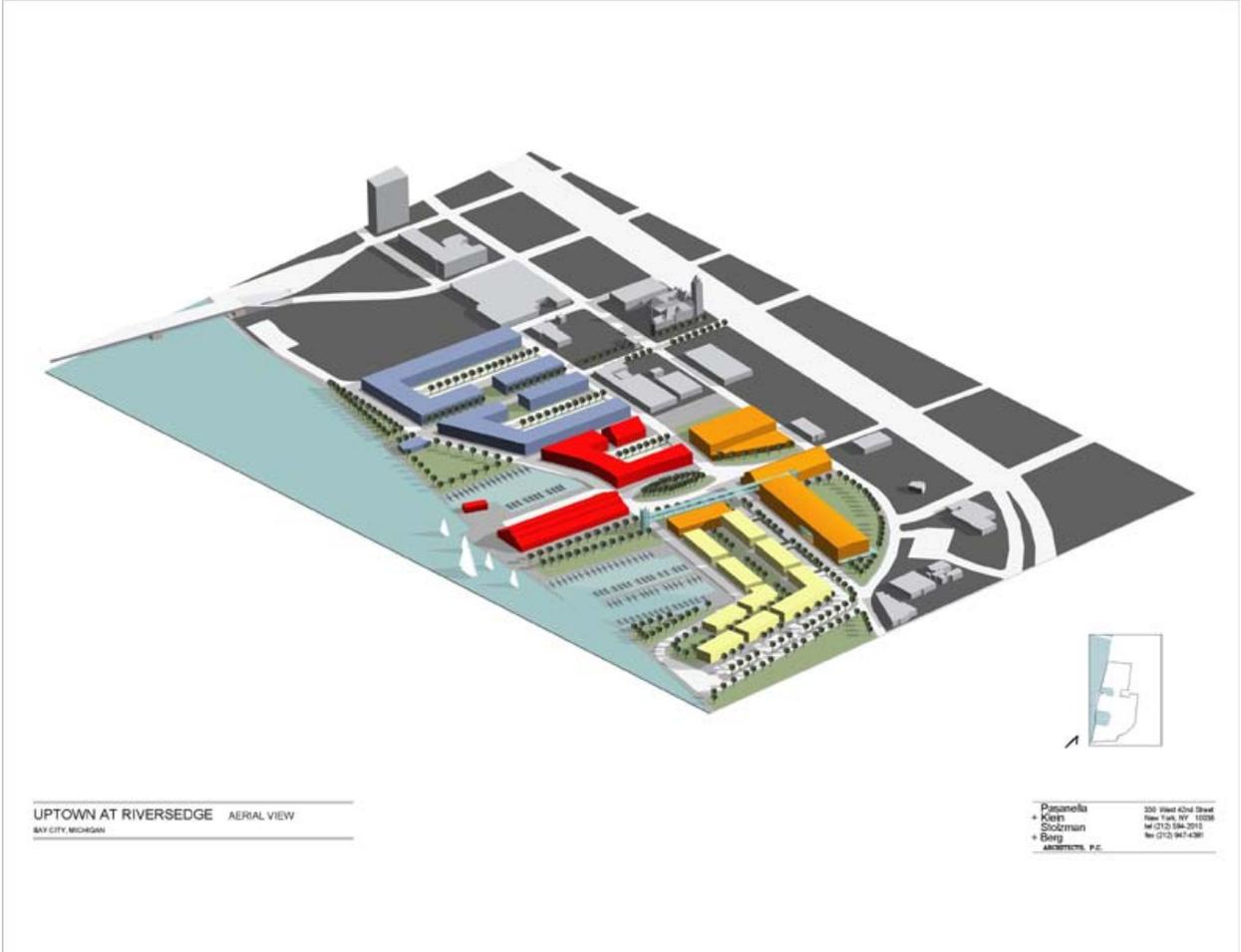
250 West 42nd Street
New York, NY 10036
917 (212) 994-2010
917 (212) 947-4981



UPTOWN AT RIVERSEDGE VEHICULAR CIRCULATION
BAY CITY, MICHIGAN

Pasarella
+ Klein
Stolzman
+ Berg
architects, P.C.
330 West 42nd Street
New York, NY 10018
Tel: (212) 594-3010
Tel: (212) 947-4361

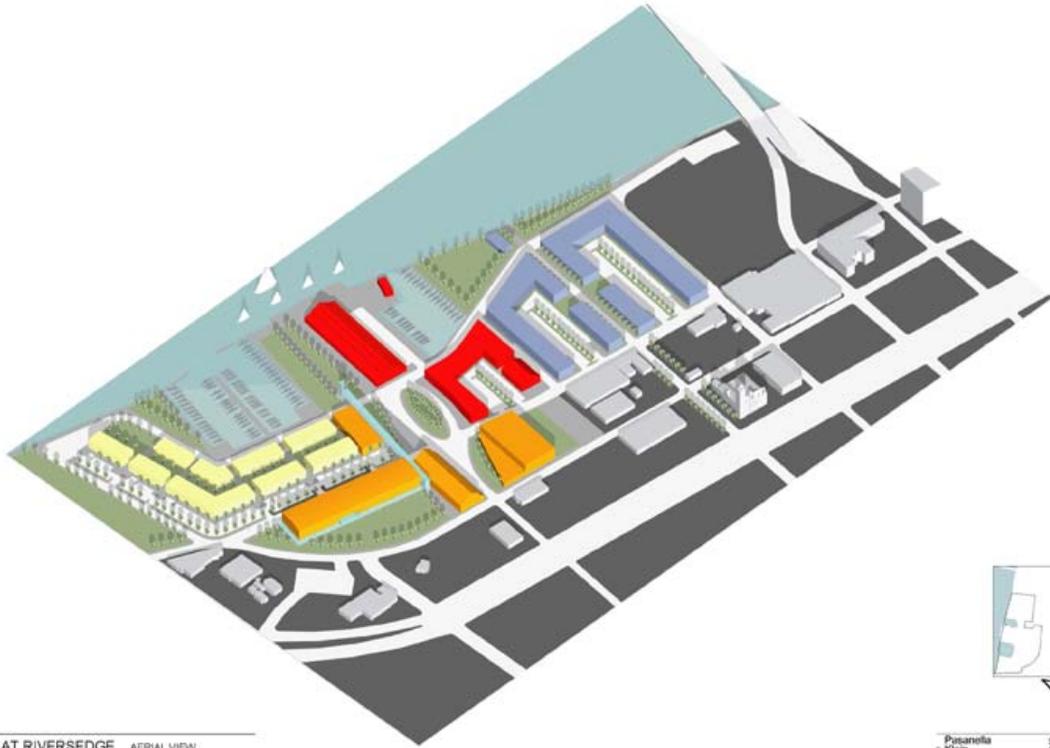
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UPTOWN AT RIVERSEDGE AERIAL VIEW
BAY CITY, MICHIGAN

Paronella
+ Klein
+ Solzman
+ Berg
ARCHITECTS, P.C.
350 West 42nd Street
New York, NY 10036
Tel: (212) 358-2010
Tel: (212) 947-4381

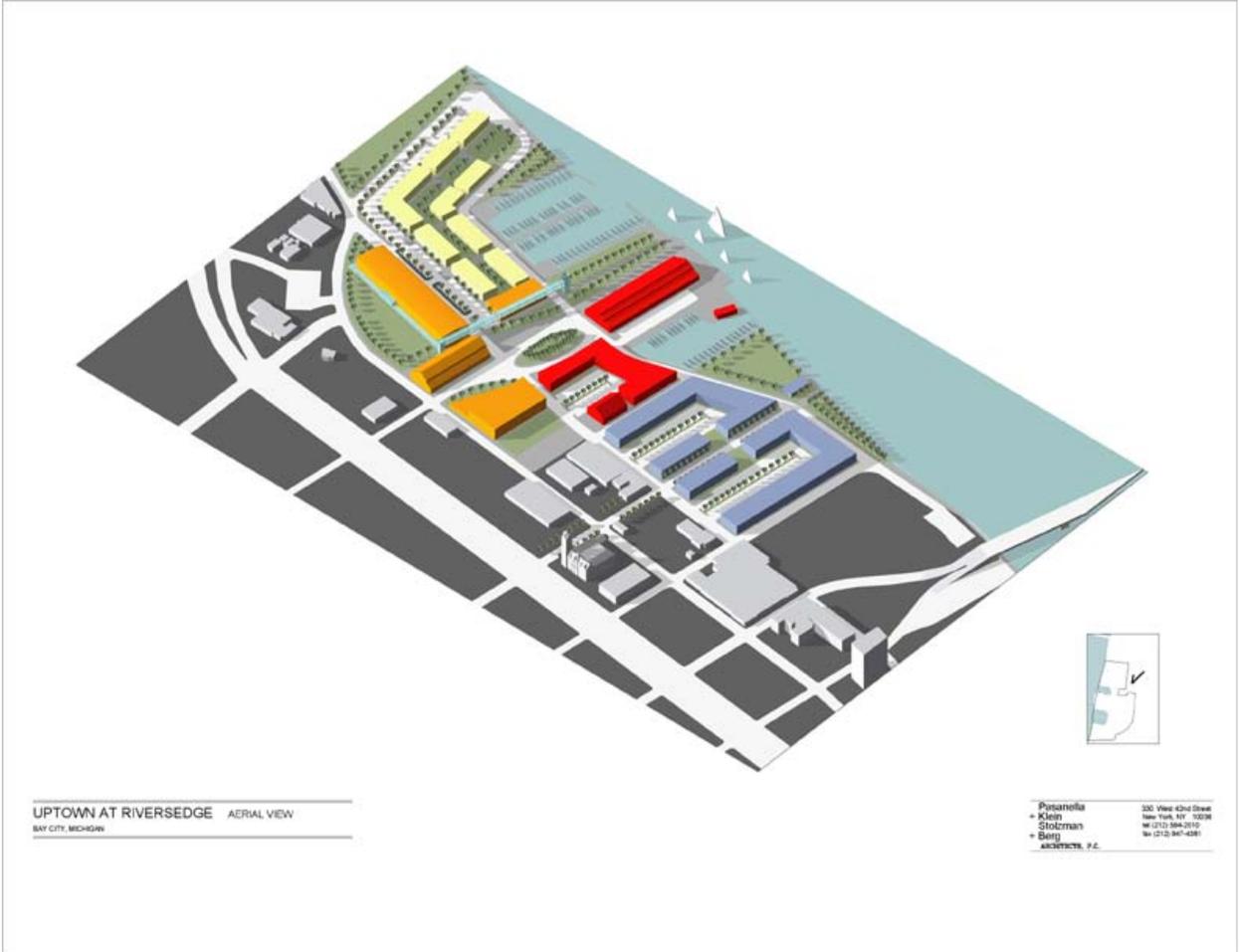
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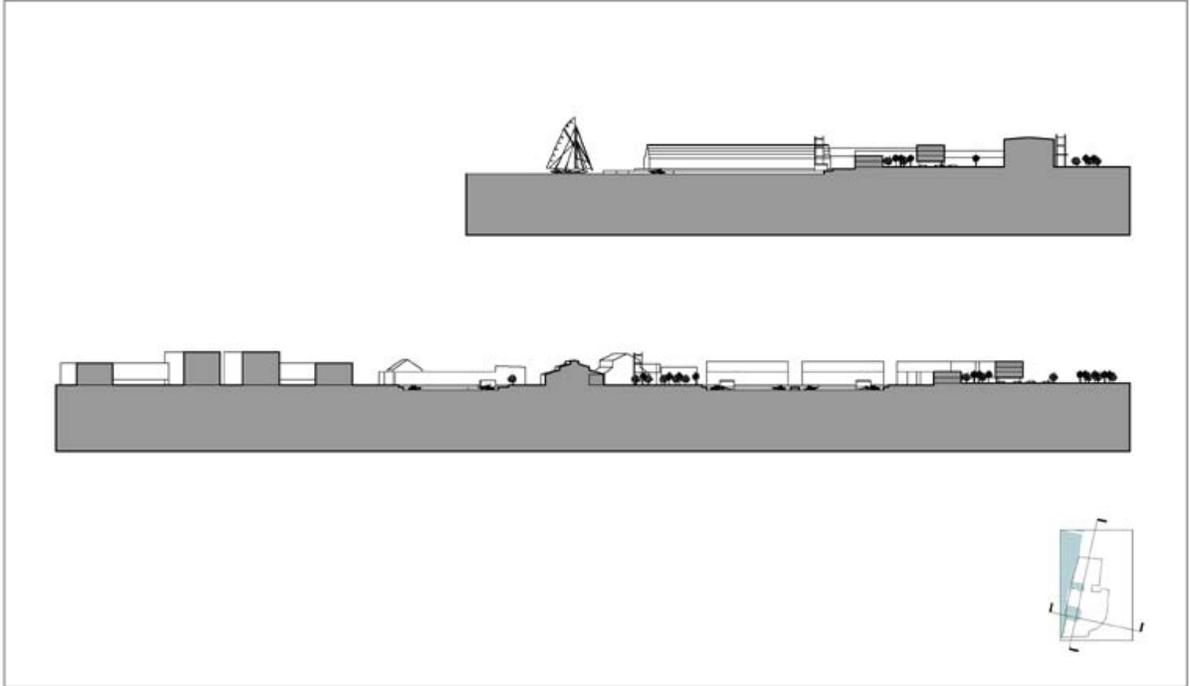


UPTOWN AT RIVERSEDGE AERIAL VIEW
BAY CITY, MICHIGAN

Parsons
Klein
Stoltzman
Selig
ARCHITECTS, P.C.
330 West 42nd Street
New York, NY 10036
Tel: (212) 512-2010
Fax: (212) 967-4381

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UPTOWN AT RIVERSEDGE SECTION ELEVATIONS
BAY CITY, MICHIGAN

Parsons
Klein
Stoltzman
Selig
ARCHITECTS, P.C.
330 West 42nd Street
New York, NY 10036
Tel: (212) 512-2010
Fax: (212) 967-4381

BASIC ASSUMPTIONS AND LIMITING CONDITIONS

This report has been prepared for the client identified in the letter of transmittal. It is to be utilized expressly by the client for the purposes stated, and no reliance is to be placed on this report for any other purposes. The rights to any information contained in this report, unless furnished by outside sources, are exclusively those of The Weitzman Group, Inc. This report must be read in its entirety and neither all nor portions of this report may be reproduced, published or shown to other parties without the express written authorization of The Weitzman Group, Inc.

It is agreed that this report is written for the exclusive use of the City of Bay City. No other party shall have any right to rely on the report or any service provided by The Weitzman Group, Inc. without prior written consent.

The consulting report regarding the property is as of April 26, 2004.

If the property is under development, then the consulting report is subject to completion of the entire project in accordance with the plans and specifications that have been furnished, and assumes proper workmanship and further assumes issuance of all required municipal certificates of occupancy and permits.

Responsible ownership and competent property management are assumed. The date to which the opinions expressed in this report apply is set forth in the letter of transmittal. The signatories assume no responsibility for economic or physical factors occurring at some later date, which may affect the opinions herein stated. Any aberrations and/or dramatic changes of prevailing economic conditions as of the date of analysis may have an impact on our financial projections with a concomitant impact on value.

No opinion is intended to be expressed for legal matters or those that would require specialized investigation or knowledge beyond that ordinarily employed by the real estate profession, although such matters may be discussed in the report.

No opinion as to title is rendered, however, title is assumed to be marketable. Data on ownership and the legal description were obtained from sources generally considered reliable. Title is also assumed to be free and clear of all liens and encumbrances, easements and restrictions except those specifically covered in the report.

No engineering survey has been made by The Weitzman Group, Inc., except if specifically stated. Data relative to size and area were taken from sources considered reliable and no encroachment of real property improvements is assumed to exist.

It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

Maps, plats, graphics and exhibits, if included herein, are for illustration purposes only, as aids in visualizing matters discussed within the report. They should not be considered surveys or relied upon for any other purpose.

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The rendering of this report does not presume the right of expert testimony or attendance in court or at any other hearing, unless such arrangements are made a reasonable time in advance by mutual agreements.

The signatories of this report who have personally inspected the property represent that they have no current or contemplated interests in the property covered by this report, other than those previously discussed with the clients.

No one other than the undersigned has prepared the analyses, conclusions and opinions concerning the real estate set forth in this report. The property was personally inspected by Thomas M. Justin, CRE, FRICS, and Mark L. Troen, CRE on numerous occasions between September and December 2003. It was inspected by Will Harrison on October 29, 2003. Marilyn Kramer Weitzman, MAI, CRE did not inspect the property.

Disclosure of the contents of this consulting report and/or its use is governed by the Bylaws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially any consulting conclusions, the identity of the consultants or firm with which they are connected, or any reference to the Appraisal Institute or the MAI designation) shall be disseminated to the public through advertising media, public relations media, sales media, news media, or any other public means of communication without prior written consent and approval of the consultants.

This consulting report does not consider any additional financial expenditures which may be required by the Americans with Disabilities Act (ADA), a federal law codified at 42 USC Section 12101, et seq. One of the requirements which could affect this property is Title 3 of the ADA which requires owners and tenants of "public accommodations" to remove barriers to access for disabled persons and provide auxiliary aides and services for hearing, vision or speech impaired persons. The requirements under Title 3 of the ADA are codified at 28 CFR Part 36.

It is important to note that the consultant does not have the specific expertise to render an opinion as to the subject's compliance, or noncompliance, under the ADA. The specific requirements and the types of property which may be affected are subject to interpretation. It is suggested that the client obtain an opinion regarding this matter from a qualified expert/advisor to determine the subject's compliance or noncompliance with the ADA.

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- BAY CITY – THE TRI-CITY REGION -
PAST AND PRESENT

BAY CITY- THE TRI CITY REGION – PAST AND PRESENT

The Tri-Cities region includes Bay, Saginaw and Midland counties. The area, first inhabited primarily by Chippewa Indians, was ideal for settlers due to the proximity to the Saginaw River and the Great Lakes. In 1830 Saginaw County was established, followed by Midland County in 1850 and Bay County in 1857. All three counties relied heavily on the lumbering industry with almost 90% of the lumber going to eastern markets. In the late 1800's and early 1900's, lumbering gave way to the shipping industry, the automobile industry and scientific industry. Each county's economy still has many historical ties to its ancestral roots of lumbering.

Originally known as "Lower Saginaw", Bay City, Michigan was incorporated as a city in 1859. The growth of the lumbering industry formed the development of the City significantly over the years; each subsequent major industry in Bay City is tied to lumbering. At the peak of the lumbering years, there were approximately fifty lumber mills in operation in Bay City. Around the turn of the century, the focus of Bay City's economy turned to the ship building industry. The amounts of lumber being produced and consumed overwhelmed the railroads and a new means of transportation was needed; thus began the shipbuilding era. The Wheeler and Davidson shipyards and the Defoe Shipbuilding Company, founded in 1905, began building steel hulls immediately after World War I. The Bay City shipyards, claim to have built the first 600 foot steel freighters to navigate the Great Lakes. During World War II, the ship builders' manufactured U.S. Destroyers. Perhaps the most famous of all of the approximately 900 ships to be built in Bay City is known as the "Honey Fitz". The "Honey Fitz" served as the Presidential Yacht for Eisenhower, Kennedy and Nixon. Even now, Bay City handles more waterborne tonnage than any other Michigan port, excluding Detroit.

Saginaw County was officially established in 1835 and included part of Bay County before Bay County formed in 1857. According to the census of 1853, the population of Saginaw was 2,609, while in 1884 the population skyrocketed to 75,813. The booming lumbering industry was the driving factor behind the dramatic change in population. When the lumbering industry began to subside at the turn of the century, Saginaw turned to the automobile and coal mining industry. Between 1941 and 1942, the Tri City Airport was constructed by the Federal Government and was originally used as a training ground for pilots. The Tri City Airport changed its name in 1994 to MBS International Airport and today services approximately 177 flights per day.

Midland County was established in 1850 and akin to the surrounding counties, it began as a predominantly lumbering industry driven community. The salt deposits in the area contain, among other things, bromine; by the turn of the century, Midland was one of the largest producers of bromine. Herbert Henry Dow came to Midland just before the turn of the century to test his method of extracting bromine and subsequently formed the Dow Chemical Corporation. Dow Chemical went on to develop more than 400 products and the ever-expanding company helped sustain the economy of Midland through the demise of the lumbering industry. Today Dow Chemical employs nearly 50,000 people and its annual sales have reached \$28 billion.

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- SITE EVALUATION -

SITE IDENTIFICATION

The Uptown at River's Edge property is located in the City of Bay City, Bay County, Michigan. It is located in the southern part of the City and it is directly west of City Hall. The area of the site is approximately 43 acres; the property is flat and appears to be suitable for development. The site is located on Saginaw and Water Streets which run parallel to the Saginaw River. The north end of the site is bordered by Ninth Street while the southern end of the property is bounded by Thirteenth and Fourteenth Streets.

The site was acquired by the City of Bay City on January 31, 2002 for approximately \$17,800,000. The price included the relocation of Bay Aggregate. The property has extensive frontage along the Saginaw River, approximately 2,434 feet. It has approximately 1,862 feet of frontage on Saginaw and Water Streets. Thus, the site enjoys a high degree of visibility in the market. In fact, upon entering Bay City by way of Michigan Route 25, the whole site is clearly visible from the Veterans Bridge. The bridge connects the east and west side of Bay City which are separated by the Saginaw River.

PHYSICAL EVALUATION

The property is improved with 12 buildings, all of which are vacant and in various stages of disrepair. The site was formerly occupied by Bay Aggregate; this company was involved in the production of construction grade materials on the property. A comprehensive assessment of the physical features of the land and improvements was prepared by Pasanella & Klein Stolzman & Berg Architects, P.C.

ACCESS

Access to the site is excellent from major destinations in Bay City. The principal access roads to the property include Saginaw and Water Streets. These streets traverse the city in a north-south direction and connect with other major arterials in the city and the metropolitan area. Just to the north of the property, Saginaw Street intersects with Michigan Route 25 an east-west roadway that leads into State Highway 10. This highway connects Bay City to the City of Midland. Midland is a major employment center in the metropolitan area and is the headquarters of Dow Chemical, one of the largest employers in the Tri Cities area. State Highway 10 is also the principal access road from Bay City to I-75.

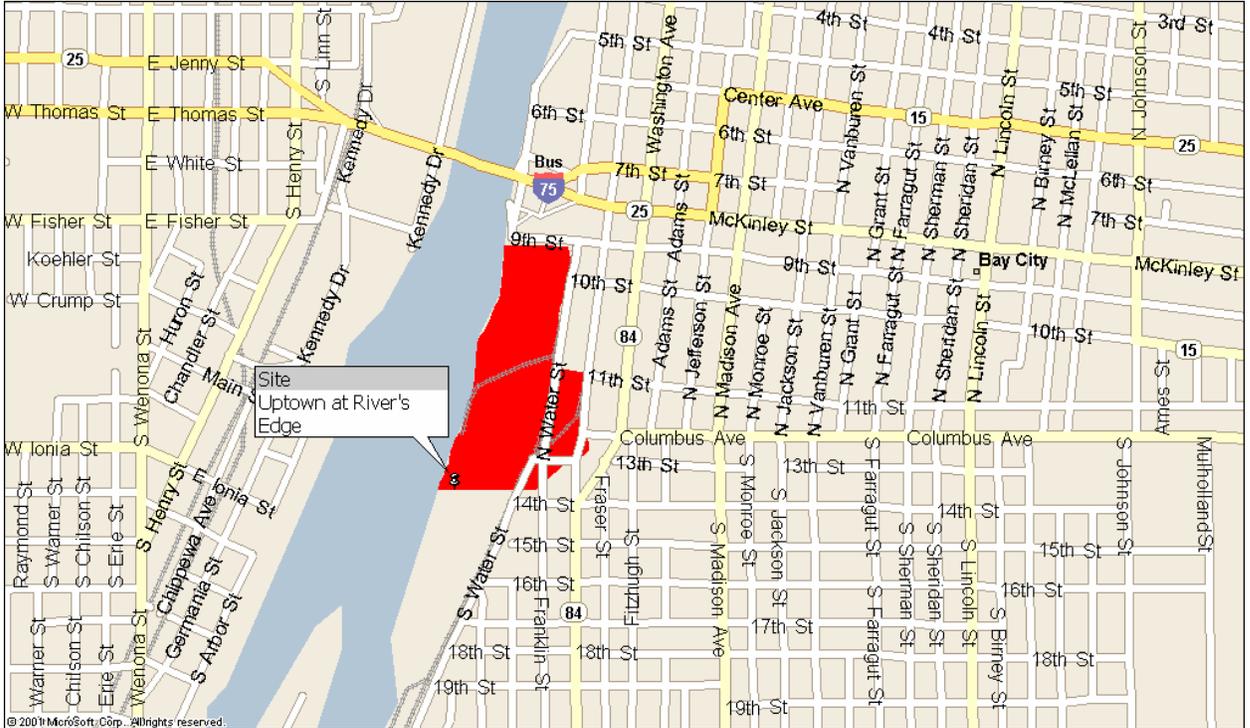
Interstate 75 provides the major link between the Great Lakes and the Southeast region of the United States serving the major cities of Miami, Tampa, Atlanta, Knoxville, Cincinnati, and Detroit. Interstate 75 covers approximately 395 miles in Michigan with the northern terminus located at the Point of Entry in Sault Ste. Marie, Michigan. Bay City lies approximately three miles east of Interstate 75 off of exit 162A. The site is most directly accessed via Michigan Route 25 and is clearly visible when crossing Veterans Bridge. There are several state highways that provide access to the site. From the south, State Highway 15, also known as Tuscola Road, enters the downtown area first at the intersection of Columbus Avenue and again at the intersection of Michigan Route 25. From the north and west, State Highway 13 intersects with Michigan Route 25 on the western side of the Saginaw River.

I-75 connects Bay City to Detroit to the south and to the principal destination resorts located in northern Michigan. Detroit is within a two hour driving time of the Bay City. Michigan Route 25



UPTOWN AT RIVER'S EDGE
VIEW FROM ACROSS THE RIVER

THE WEITZMAN GROUP, INC.
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and State Highway 10 are the main access roads from Bay City to the MBS International Airport, Delta College, and Northwood University.

The City of Saginaw is located south of Bay City and is accessible from the site by way of Routes 13 and 15; the travel time is approximately 15 to 20 minutes. Saginaw is also accessible from Bay City by way of Interstate 75. Northeast of the City of Saginaw at the intersection of I-75 and Tittabawasee Road is the highest concentration of retail and office space in the metropolitan area. The regional shopping center, known as Fashion Square, is situated near this intersection together with a large variety of big box retailers. This intersection is also the principal node of suburban office space in the region. Thus, it is an important destination in the region and it is within a twenty minute driving time of the property.

The principal shopping areas in Bay County are concentrated in downtown Bay City and along Wilder Road. Downtown Bay City is situated just north of the site. During the spring and summer, downtown is within a short walking distance of the site. The downtown district is the home of many specialty stores, antique shops, and general merchandise stores, office buildings and, most recently, upscale condominium residences. Households from throughout the metropolitan area view Downtown Bay City in a very favorable light; it is considered a very desirable place for dining and specialty shopping.

The Bay City Mall is located on Wilder Road which is situated north and west of the site; it is within a ten minute driving time of the property. In addition to the mall, Wilder Road contains the highest concentration of retail stores, automotive dealerships, office space, and eating establishments in Bay County.

The major employers in Bay County include General Motors and S.C. Johnson; both employers are within a five to ten minute driving time of the site. Dow Chemical and Dow Corning, the two largest employers in the Tri-City metropolitan area, are within a 20 minute driving time of the property.

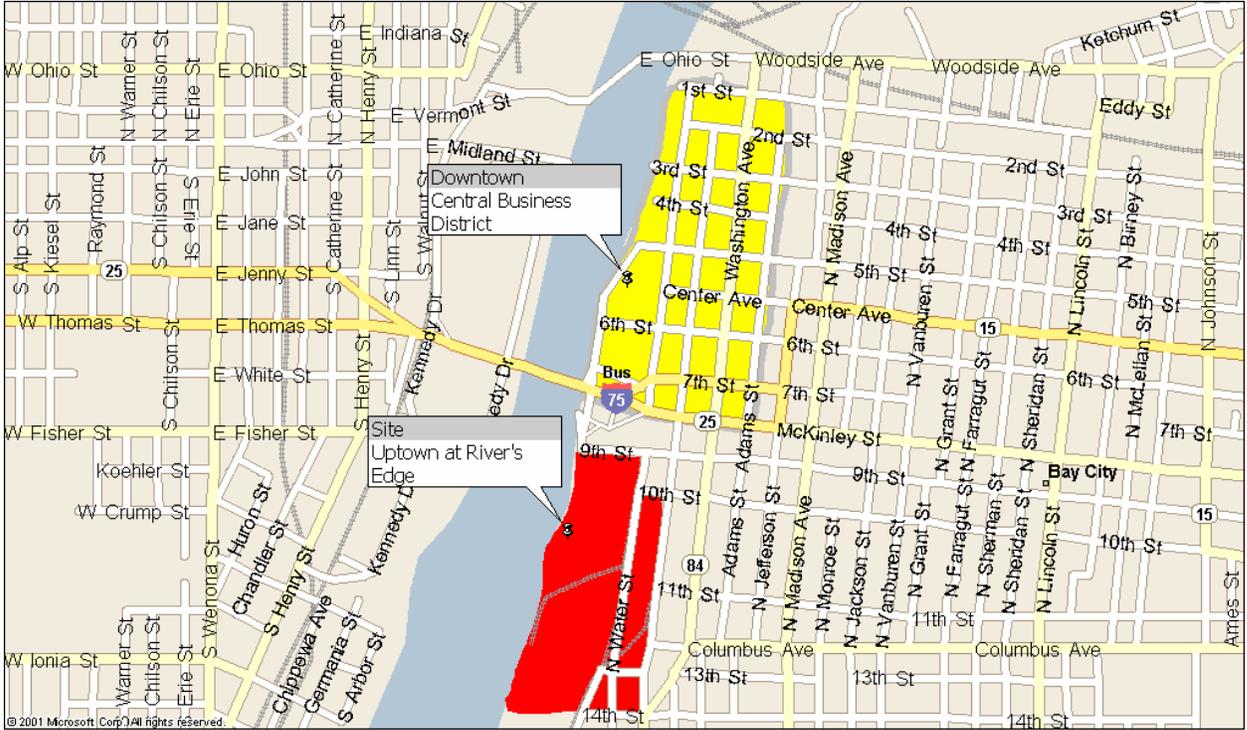
There are four major institutions of higher learning in the metropolitan area including Saginaw Valley State University, Delta College, Northwood University, and Davenport University. These colleges and universities are all within a twenty-minute drive of the property.

In summary, the Uptown at River's Edge site is conveniently accessible to all major destinations in Bay City and in the metropolitan area.

NEIGHBORHOOD ENVIRONMENT

The Uptown at River's Edge site is not part of an existing neighborhood in Bay City. Because of its relatively large size in the overall context of Bay City, this property will ultimately form a new neighborhood in the City once development commences on the site. The Columbus Avenue neighborhood borders the property to the east; this is a moderate income neighborhood comprised of single family homes and some multi-family rental housing. City Hall is also located directly east of the site. Constructed in 1897, the building has an outstanding architectural design and has been well maintained. Adjacent to City Hall is The Bay County Historical Museum and Kantzler Maritime Gallery. Finally, there are vacant land parcels to the east of the site; these are owned by the Great Lakes Foundation.

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Immediately to the north of the site is a building occupied by FP Horak. Further to the north of the property is downtown Bay City, an attractive district comprised of beautifully restored buildings. Within the downtown, buildings have been converted to upscale condominium residences along the banks of the Saginaw River; the adaptive reuse of an older commercial building into condominiums is presently underway in the downtown and still more condominium initiatives are proposed for future development in the Central Business District. Downtown Bay City has an attractive park known as Winona Park; it is just a short distance north of the property. The Delta College planetarium is a major tourist attraction in Downtown Bay City. Located a short distance north of the property, the planetarium attracts more than 40,000 visitors annually. The commercial and financial center of Bay City is on Washington Street which is within a very short distance of the property.

The most desirable residential location in Bay City is along Center Street. This corridor, which extends west to east from downtown, is comprised of older and well maintained Victorian homes. Center Street is within a five minute driving time of the property.

A Doubletree Hotel and Conference Center is under construction just north of the property at the intersection of Saginaw Street and Seventh Street. The hotel is scheduled for completion in June 2004. It will include 150 rooms and 16,000 square feet of meeting space. A new library is planned for Downtown Bay City; it will be located just north of the site at the intersection of North Madison Avenue and Center Avenue.

To the west of the property is the Saginaw River. A large park, known as Veterans Memorial Park, is located on the west bank of the river. Across the river from the site are a river walk and a marina. To the north of the marina is a small commercial district which includes restaurants, retail and office space. A condominium, known as Iron Bridge, is planned for future development along the west bank of the Saginaw River. To the south is a small condominium community known as the Breakers.

In summary, the Uptown at River's Edge property has an outstanding location in Bay City. Not only does it enjoy a high degree of visibility, but its sheer size and frontage along the river enhances its competitive position for a master planned community. Although it is not in an established neighborhood of Bay City, the site is of sufficient size wherein it will become its own neighborhood. There are no adjacent or nearby land uses which would adversely impact the development potential of the property.

It is important to note that there is virtually no traffic congestion in the entire metropolitan area, even during periods of peak traffic flow. The ease of travel and absence of congestion are among the key factors influencing the high quality of life in Bay City and in the Tri City area. Since quality of life issues are becoming increasingly important factors influencing the location decisions of households and employers, Bay City should leverage this attribute in attracting new businesses to the city.

ENVIRONMENTAL

The site does contain hazardous materials. An environmental assessment of the property is on file with the City of Bay City.

GRANTS FOR SITE DEVELOPMENT AND ENVIRONMENTAL CLEANUP

As stated above, the Uptown at River's Edge site was acquired for \$17.8 million; the purchase price included the cost to relocate the manufacturing company known as Bay Aggregate to Tiernan Road in Bangor Township. The acquisition of the site was funded from several sources. Federal grants were provided in the amount of \$7.2 million, state grants totaled \$4.4 million, the City contributed \$3.6 million, and other sources accounted for \$1.7 million.

The above mentioned federal grant has been awarded to the city in two phases. The City originally received \$5,016,000 and had applied for an additional contribution of \$2,183,600; thus, the total federal grant was \$7,200,000. The second part of the grant covered personnel, professional expenses, and construction. Included in the construction expenses was a relocation payment to Bay Aggregate.

The environmental cleanup of the site is estimated to cost nearly \$2.2 million and a grant to fund this cleanup will be submitted to the Environmental Protection Agency. The area has been officially designated as a Brownfield site and has significant contamination.

The City of Bay City and the Great Lakes Center Foundation have allocated \$1,400,000 in funding for the site. The funding will be for the development of a river walk, the creation of a public plaza, utilities, infrastructure improvements, and wetland mitigation. The wetland mitigation will be an "expense" to the City, because Bay Aggregate was relocated to a site that was partially comprised of wetlands. As part of the development and relocation agreement, Bay City had to agree to incur the cost of mitigating wetlands in another part of the County.

ZONING

The Uptown at River's Edge site was zoned M-2, a general industrial zone, until the Fall of 2003. The site is currently zoned C-3, a central business zone. The permitted uses in this zone include commercial, office, civic, cultural, entertainment, recreational, and tourism-oriented uses in a compact, high intensity urban downtown environment. Mixed-use development is strongly encouraged in this zone. This zoning does not allow for single family, detached housing, warehousing or light industrial use.

The site is in a Planned Unit Development (PUD) district meaning that any proposed plan for the site must first be reviewed and approved by the Planning Department. The PUD allows for a plan to be approved in its entirety, as opposed to having each individual component of the plan subject to review and approval as development proceeds on the property. Bay City has always had a zone designated for Planned Unit Development and according to the Bay City Planning Department, Bay City, unlike other Michigan communities, encourages mixed-use development in the downtown area.

REAL ESTATE TAXES

The assessed value of the property is \$676,600. Properties are assessed at 50% of market value and are reassessed annually. There are two parcels on the property that are exempt from paying real estate taxes to the City. The remaining parcels are liable for taxes payable to the city, schools, ISD, Community College (Delta), and to the county; the annual taxes payable are approximately \$45,122.

SUMMARY

The Uptown at River's Edge property has an excellent location in Bay City and within the metropolitan area. The principal attributes of this property are: (1) the large size of the site enabling the creation of a new neighborhood in Bay City; (2) its location on the Saginaw River and its extensive frontage along the waterfront; (3) its high degree of visibility in Bay City; (4) the site being under one ownership which will facilitate its development; and (5) the site's accessibility and convenient location to major destinations in the metropolitan area.

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- THE VISIONING SESSIONS -

THE VISIONING SESSIONS

Three visioning sessions were held in Bay City on October 16, 2003. The objective of the sessions was to provide the community with a forum to express their opinions on how they would like to see the Uptown at River's Edge property developed in the future. The forum was open to all members of the community including private citizens, and representatives of the public and private sector; approximately 165 people attended the sessions. A summary of the discussions held during the sessions is presented below:

- The participants expressed a strong desire to preserve as many of the existing structures as possible, particularly the Monarch building. The principal reason given was that the buildings are an integral part of the City's manufacturing history and therefore should be preserved.
- The people attending the sessions stressed a strong desire that the waterfront along the Uptown at River's Edge property remain open to the public; some participants were not pleased that they lost public access to the waterfront when the new condominium communities were completed north of the Veteran's Bridge.
- Members of the Columbus Avenue CDC, representing the neighborhood immediately adjacent to the site, noted that they wanted to ensure that any proposed development plan be designed so as to complement and enhance the character of the Columbus Avenue neighborhood. In other words, they would be opposed to any plan that would "wall" off the Uptown at River's Edge property from the balance of the downtown community.
- It was important to many of the participants that the proposed plan complement, rather than compete, with businesses located in downtown Bay City. There were discussions as to how this may be accomplished, e.g. one idea was mentioned to create a shuttle service between the site and the downtown area.
- The participants want a market driven master plan created for the property. In other words, they want to ensure that there is sufficient underlying demand for any of the uses recommended for development on the property.
- A common theme noted by many of the participants was that they would like to view the future development of the Uptown at River's Edge property as a vehicle to expand the tax base of the city. The real estate taxes in Bay City are considered very high, relative to other communities in the metropolitan area, by many of the people attending the session. Several members of the session noted that a portion of the site should be designated for office use with the intent of bringing new jobs into Bay City.
- A number of people stated that they would be opposed to providing tax abatements as a method of encouraging development on the property; again, their concern was that the city could ill afford to give tax breaks to developers given the already high tax burden in Bay City.
- Throughout the three sessions, many of the people in the audience voiced their opinion on specific uses that they would like to see developed on the property. A large number of participants said they would like to see family entertainment uses developed on the property and ones that could be utilized throughout the year. An indoor water park was mentioned as

one possible example of a family entertainment venue that could be developed on the site. Other participants noted that a portion of the site should be used to expand the cultural base of the community. For example, several members of the audience noted that the existing structure would be quite suitable to house a local collection of dolls and fire engines. There was strong interest by members of the Saginaw Naval Ship Museum Committee to have the naval ship *The Edson* towed to the site, to be used both as an educational facility and tourist attraction. Several other people at the session said that they would like to see the property developed similar to Mystic Seaport in Connecticut; such a plan would capture the maritime history of the Bay City and would provide the City with a major tourist attraction. A farmers' market was mentioned frequently as a desirable use by members of the audience; they were disappointed that the existing farmers' market in the Columbus Avenue neighborhood had not been successfully executed; they believed that it was more similar to a flea market than a farmers market where fresh produce is sold.

- Finally, the participants noted that “whatever is done on the property, they want it to be done right.” Several speakers noted that it will most likely take a long period of time to develop the site and cautioned other participants in the room about being overly optimistic that the property could be developed in a short time frame. They view the development of this property as a key element which will influence the long-term vitality of the City.

PRIMARY INTERVIEWS

During the weeks following the visioning sessions, primary interviews were held with a cross section of the community to include: (1) city officials; (2) major employers, (3) financial institutions, (4) members of the media; (5) private citizens; (6) a marketing representative of the new Doubletree Hotel and Conference Center; (7) organizations that had responded to the RFP with proposals to develop the site; (8) the Chamber of Commerce; (9) the Downtown Merchants Association; and (10) the Visitors and Convention Bureau. The objective was to reach out to the community at large in order to have “one on one” discussions regarding the future of the Uptown at Rivers Edge property. A summary of the important issues discussed during the interviews is presented below.

The community wants a “voice” in the planning and development of the property; many believe that whatever is developed on the Uptown at River’s Edge property will define the future of Bay City. The major employers in the market noted that they have no immediate plans to scale down their operations and believed that they have achieved a stable level of employment. In fact, Dow Corning is undergoing an expansion that will add approximately 140 new jobs. Another major employer indicated that, because of excess plant capacity, there may be a possibility that another division of the company could be relocated to its campus in Bay City. Thus, the economic base of the market appears to have stabilized with no significant job losses foreseen over the near term.

The perceived image of the Bay City school system and the relatively high real estate taxes in the City were seen as major obstacles in attracting new households to move into the City. Concerns were voiced by others as to the impact that the new Doubletree Hotel and Conference Center will have on the operations of the Holiday Inn.

The four colleges and universities appear to be thriving in the Tri Cities area. Delta College, for example, is a job training center for the Saturn automobile manufacturer. Several of the schools are undergoing expansion, but none are considering an expansion outside of their immediate

campus. Delta College noted that they do have a satellite presence in Bay City; they are very pleased with the success of the planetarium and noted that it attracts 40,000 visitors annually.

Several organizations responded to the RFP with development proposals for the property. However, it appears that none of these groups conducted in-depth market research prior to preparing their plans; they noted that the marketability analyses were to take place after they had secured control of the property. In general, the development community was not pleased with the manner in which the City terminated the development proposal process for the site.

There were several people who commented on the need to expand the cultural base of Bay City and believed that the site could be used to fulfill this goal. They noted that one or more of the existing structures on the site could be restored into a museum that would house a fire engine collection and/or dolls; these collections are owned and maintained by local residents of the metropolitan area. Extensive discussions were held with members of the Saginaw Valley Naval Ship Museum Committee; again, they are very interested in bringing the naval ship *The Edson* to Bay City and having it permanently docked at the site. Another group would like to bring the yacht *Honey Fitz* back to Bay City where it was originally constructed. The latter two initiatives would be part of a broader maritime museum on the property.

Members of the Columbus Avenue CDC are very interested in the long-term development plan for the Uptown at Rivers Edge property. They strongly believe that the proposed development plan should help stabilize the Columbus Avenue neighborhood and should bring improved services to this neighborhood.

The vacant land parcels that are situated to the east of the site are owned by the Great Lakes Foundation; members of this organization believe that the boundaries of the Uptown at River's Edge site should be expanded to incorporate these parcels as well as City Hall.

The fact that the downtown district is not physically connected to the site was a concern amongst some of those interviewed. From their perspective, it was very important that any proposed land uses on the site not compete with downtown merchants. The retail core of downtown Bay City was described as "fragile" with several tenants struggling to maintain their businesses. They felt that some type of "connector" must be incorporated into the proposed plan so that any new development will complement and support the existing downtown retail market.

In summary, there is very strong community interest in the future development of the Uptown at River's Edge property. Many citizens voiced similar opinions during the interviews but the most frequently mentioned comment was that they have only one opportunity to develop this property, and that they want to do it right.

- ECONOMIC AND DEMOGRAPHIC ANALYSIS -

ECONOMIC AND DEMOGRAPHIC ANALYSIS

INTRODUCTION

The objective of this section is to analyze the economic and demographic composition of Bay City and the Midland-Bay City-Saginaw Metropolitan Statistical Area (MSA). This analysis will form the basis for evaluating the underlying demand for a wide range of land uses on the Uptown at River's Edge property to include housing, retail space, cultural and academic uses as well as destination tourist uses.

DELINEATION OF THE MARKET AREAS

The "market" area generally refers to that geographic area from which the demand for a particular land use will arise; it also represents the area in which most of the competition is located. Obviously, the market area will change depending on the land use being evaluated. However, for the purpose of first providing a general economic and demographic overview to the market, we have delineated the market area as: (1) Bay City, (2) the cities of Midland and Saginaw; and (3) the total MSA.

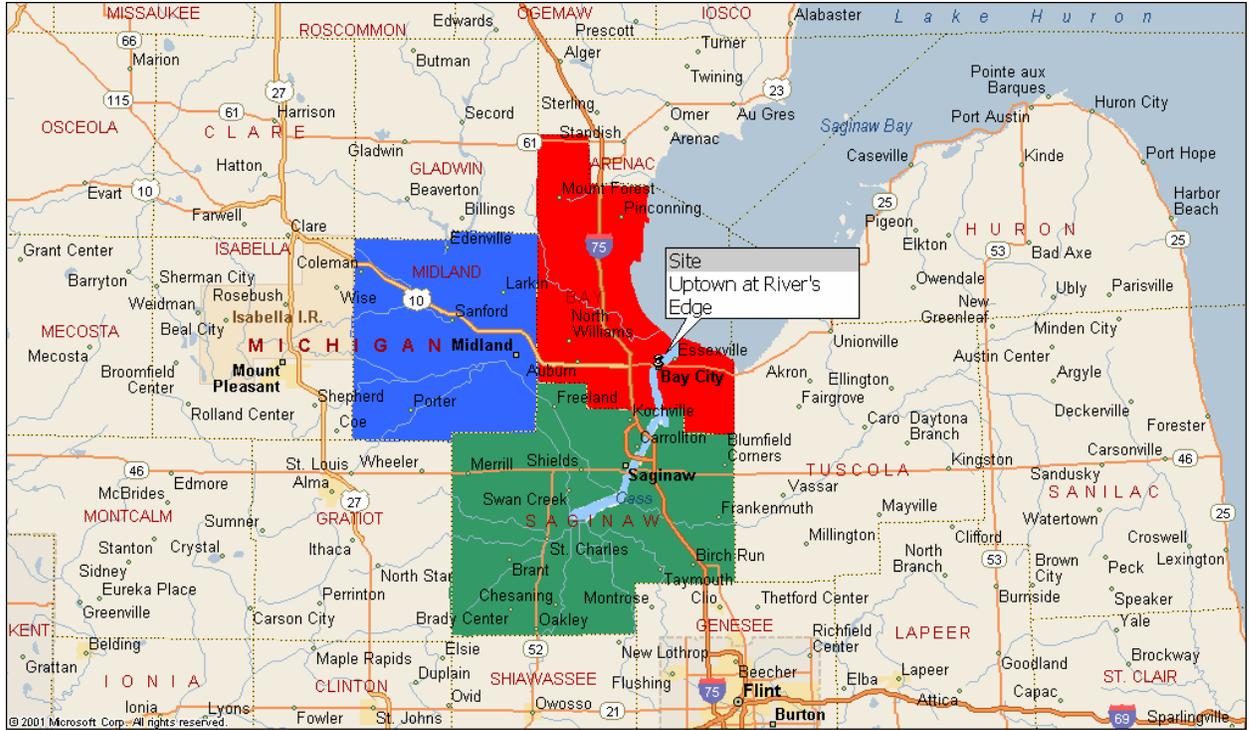
POPULATION TRENDS

The population of Bay City is relatively small; it was estimated at approximately 36,300 people in 2003. The population of the city accounts for approximately 9.0% of the total population in the MSA. The population of Bay City has been declining slightly since 1990; overall, the population declined by 1.4% annually during the past thirteen years.

Bay City is the smallest of the three major cities comprising the metropolitan area. The population of Midland was estimated at 42,100 people in 2003 and Saginaw had the largest population of almost 60,300 people. Saginaw's population has also been declining since 1990; the population has declined by 2.5% annually since 1990. Midland, on the other hand, has been sustaining an increase in population. Since 1990, the population of the City has grown by 1.1% annually. One of the key factors influencing the growth of Midland is the fact that it is a major employment center in the metropolitan area; Dow Chemical is headquartered in Midland.

As illustrated in Table 2, the total population of the metropolitan area has remained relatively stable during the past thirteen years; it is currently estimated at 403,600 people. Thus, the modest level of population growth that is occurring in this market is taking place outside the cities in suburban locations. The absence of employment growth is a key factor influencing population growth in this market; during the past two years, approximately 6,100 jobs have been lost in the metropolitan area.

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TABLE 2
POPULATION TRENDS
BY MARKET AREA
1990-2008

	1990	2000	2003 est.	2008 proj.	Total Change	
					1990-2003	2003-2008
Bay City	38,855	36,817	36,301	35,341	-1.4%	-2.6%
Midland	39,069	41,685	42,141	42,934	1.1%	1.9%
Saginaw	69,512	61,799	60,254	57,515	-2.5%	-4.5%
Total	147,436	140,301	138,696	135,790	-1.1%	-2.1%
MSA*	399,320	403,070	403,585	403,581	0.1%	0.0%

(*): Includes: Bay County, Midland County, and Saginaw County

Source: Claritas Inc.; Compiled by The Weitzman Group

The population of the metropolitan area is projected to remain relatively stable over the next five years. Bay City is projected to continue to lose population as is Saginaw; the population of Midland is projected to grow modestly through 2008.

POPULATION AGE DISTRIBUTION

The population age distribution of the metropolitan area and the three central cities is presented in Table 3. The age distribution is characteristic of a family market with almost 60.0% of the population being under the age of 44 years in the MSA. The average age in the metropolitan area is approximately 38 years.

The population age distribution of Bay City is very similar to that of the metropolitan area. However, Bay City has a relatively high concentration of people in the 25 to 34 year old age group when compared to Midland, Saginaw, and the entire metropolitan area. The larger number of young people living in Bay City runs counter to the prevailing theory that the city is losing its younger population. The 25 to 34 year old age cohort represents a significant source of demand for housing, both ownership and rental housing. In Bay City, approximately 22.0% of the population is in the 45 to 64 year old age group; this cohort includes people in maturing families and empty nesters. The retirement age population, those aged over 65, accounts for 14.0% of the population.

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TABLE 3
POPULATION AGE DISTRIBUTION
AS OF 2003

Age Group	Bay City	Midland	Saginaw	MSA*
Under 15	21.2%	20.6%	26.7%	20.8%
15 TO 24	13.6%	15.2%	14.6%	13.9%
25 TO 34	14.0%	11.4%	13.6%	11.6%
35 TO 44	14.9%	14.7%	13.4%	14.6%
45 TO 64	22.4%	24.0%	20.3%	25.2%
65 and over	13.9%	14.2%	11.3%	14.0%
Total	100.0%	100.0%	100.0%	100.0%

(* Includes: Bay County, Midland County, and Saginaw County)

Source: Claritas, Inc.; compiled by The Weitzman Group, Inc.

TABLE 4
AVERAGE AND MEDIAN AGE

	Bay City	Midland	Saginaw	MSA*
Average Age	37.25	37.71	33.89	37.97
Median Age	35.86	36.98	31.35	37.59

(* Includes: Bay County, Midland County, and Saginaw County)

Source: Claritas, Inc.; compiled by The Weitzman Group, Inc.

HOUSEHOLDS

A household is defined as one or more persons occupying a dwelling unit. The growth of households is one of the key factors influencing housing demand. Household trends mirror that of the population trends in the metropolitan area. There are approximately 15,200 households in Bay City, accounting for approximately 10.0% of all households in the metropolitan area. The number of households in Bay City has declined slightly over the past 13 years. Saginaw is also witnessing a decline in the number of households while Midland has been gaining households.

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TABLE 5
HOUSEHOLD TRENDS
BY MARKET AREA
1990 - 2008

	1990	2000	2003 est.	2008 proj.	Total Change	
					1990-2003	2003-2008
Bay City	15,536	15,208	15,186	15,071	-2.3%	-0.8%
Midland	15,172	16,743	17,130	17,807	12.9%	4.0%
Saginaw	26,179	23,182	22,682	21,765	-13.4%	-4.0%
Total	56,887	55,133	54,998	54,643	-3.3%	-1%
MSA*	148,235	156,129	158,725	162,759	7.1%	2.5%

(*) Includes: Bay County, Midland County, and Saginaw County

The total number of households has been growing in the metropolitan area, albeit modestly. Thus, household growth has been occurring in suburban locations outside of the central cities. Projections indicate that Bay City and Saginaw will continue to lose households to suburban communities over the next five years, while the metropolitan area will sustain a small net gain in households through 2008.

HOUSEHOLD INCOME

Household income is a key economic variable influencing the demand for housing and retail space in a market area. As is illustrated in Table 4, the median income of the metropolitan area is approximately \$44,500 which compares favorably with the national median income of \$42,409. The median income of Bay City, however, is significantly less than that of the metropolitan area at approximately \$33,700. This is indicative of the relatively larger number of lower income households residing in the City. Almost 70.0% of all households in Bay City earn less than \$50,000 annually. The median income of Saginaw is quite low, at approximately \$29,000. Midland, on the other hand, has a relatively high median income of \$54,200; this reflects the fact that the highest paying jobs are in this city.

TABLE 6
HOUSEHOLD BY HOUSEHOLD INCOME
BY MARKET AREA
AS OF 2003

Income Range	Bay City		Midland		Saginaw		MSA*	
Under \$25,000	5,560	36.67%	4,122	24.2%	10,016	44.17%	43,103	27.16%
\$25,000-\$49,999	4,863	32.07%	3,963	23.3%	6,819	30.07%	45,559	28.70%
\$50,000-\$74,999	2,477	16.34%	2,873	16.9%	3,104	13.69%	29,493	18.58%
\$75,000-\$99,999	1,119	7.38%	2,055	12.1%	1,445	6.37%	17,938	11.30%
\$100,000 and over	1,143	7.54%	4,016	23.6%	1,292	5.70%	22,632	14.26%
Total	15,162	100.00%	17,029	100.0%	22,676	100.00%	158,725	100.00%
Median household income	\$33,720		\$54,180		\$28,984		\$44,480	

(*) Includes: Bay County, Midland County, and Saginaw County

Source: Claritas, Inc.; compiled by The Weitzman Group, Inc.

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Household income was also analyzed by age of household head in order to further segment and define the market, particularly for housing. The income distribution in Bay City and the metropolitan area was analyzed for household heads aged from 25 to 44 years, 45 to 64 years, and 65 years and older. In general, the market for new rental housing is comprised of household heads aged from 25 to 44 years and earning from \$15,000 to \$35,000 annually; these households are economically disqualified for home ownership. In Bay City, there are 1,614 households in this age and income group. The ownership market, for both new and used housing, is essentially comprised of households earning above \$35,000, but most of the demand will be from households earning in excess of \$50,000.

TABLE 7
HOUSEHOLD BY HOUSEHOLD INCOME
BY AGE OF HOUSEHOLDER
AS OF 2002
BAY CITY

Income Range	25-44 Years		45-64 Years		65+	
Under \$15,000	1,041	17.93%	777	16.2%	1,166	31.9%
\$15,000-\$24,999	857	14.76%	581	12.1%	954	26.1%
\$25,000-\$34,999	757	13.04%	504	10.5%	537	14.7%
\$35,000-\$49,999	994	17.12%	649	13.6%	542	14.8%
\$50,000-\$74,999	1,266	21.81%	1,098	22.9%	303	8.3%
\$75,000-\$99,999	538	9.27%	619	12.9%	94	2.6%
\$100,000-\$149,999	276	4.75%	408	8.5%	42	1.1%
\$150,000-\$249,999	54	0.93%	130	2.7%	8	0.2%
\$250,000-\$499,999	19	0.33%	15	0.3%	5	0.1%
\$500,000 and Over	3	0.05%	7	0.1%	4	0.1%
Total	5,805	100.00%	4,788	100.0%	3,655	100.0%

Source: Claritas, Inc.; compiled by The Weitzman Group, Inc.

In the metropolitan area, there are 27,800 households in the 25 to 44 year age group earning in excess of \$50,000 and 34,500 households in the 45 to 64 year age group. Thus, the majority of the demand for new housing will come from households outside of Bay City. Therefore, any large scale housing initiative on the Uptown at River's Edge property must be targeted to households in the metropolitan area; there are simply too few households in Bay City to support housing development on the site.

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TABLE 8
HOUSEHOLD BY HOUSEHOLD INCOME
BY AGE OF HOUSEHOLDER
AS OF 2002
MSA

Income Range	25-44 Years		45-64 Years		65+	
Under \$15,000	7,484	13.30%	5,691	9.8%	9,343	26.6%
\$15,000-\$24,999	5,755	10.23%	4,951	8.6%	8,227	23.4%
\$25,000-\$34,999	6,394	11.36%	5,235	9.0%	6,069	17.3%
\$35,000-\$49,999	8,851	15.73%	7,482	12.9%	4,903	14.0%
\$50,000-\$74,999	13,933	24.76%	14,228	24.6%	3,767	10.7%
\$75,000-\$99,999	7,323	13.01%	9,418	16.3%	1,486	4.2%
\$100,000-\$149,999	4,782	8.50%	7,070	12.2%	824	2.3%
\$150,000-\$249,999	1,450	2.58%	3,073	5.3%	384	1.1%
\$250,000-\$499,999	219	0.39%	538	0.9%	91	0.3%
\$500,000 and Over	86	0.15%	210	0.4%	25	0.1%
Total	56,277	100.00%	57,896	100.0%	35,119	100.0%

Source: Claritas, Inc.; compiled by The Weitzman Group, Inc.

EMPLOYMENT TRENDS

Total employment in the metropolitan area was estimated at approximately 173,900 jobs in 2003. The Tri Cities market has been losing jobs since 2000 when employment peaked at 182,000 jobs. As with many other markets in the Midwest, manufacturing jobs have been declining in this MSA. In 1996, manufacturing employment accounted for 18.0% of total jobs in this metropolitan area as compared to 13.8% in 2003. Job losses in manufacturing have occurred due to the rise in global competition and due to the rapid rate of increase in productivity. Manufacturing jobs are an important component of the metropolitan area economy. First, manufacturing jobs typically pay the highest wages and are therefore an important source of household income. Second, the manufacturing sector has a high job multiplier because for each manufacturing job created, a multiple of that number is created in other sectors of the economy. Third, most manufacturing enterprises are export industries and they bring fresh money into the metropolitan area. The major employers in the Tri Cities area are all in the manufacturing sector; these would include General Motors, Dow Chemical, Dow Corning, and SC Johnson.

The Tri Cities metropolitan area economy is very dependent on manufacturing; this sector is dominated by the automotive industry and consumer products. The Weitzman Group, Inc. conducted interviews with the major employers in this market. In general, it appears that the largest reductions in the manufacturing job base have already taken place. In fact, there is some evidence that there has been a small turnaround and some manufacturing companies are once again hiring.

Despite slow economic growth over the past several years, the Service sector has continued to expand, albeit modestly. The Service sector now accounts for 42.0% of all jobs in Tri Cities area. Similarly, modest job growth is taking place in Transportation, Communication, and Public

Utilities (TCPU) as well as in Finance, Insurance, and Real Estate (FIRE). The current unemployment rate is 7.5% as compared to the United States unemployment rate of 5.7%.

Economy.com is an economic research organization that monitors the economies of the major metropolitan areas in the United States; this organization is recognized as one of the leading economic research organizations in the United States. According to Economy.com, the economic outlook for the Tri Cities metropolitan area is as follows:

Recent Performance. *Saginaw-Bay City's economy has stalled. Although the educational and health services industry and the government have been adding jobs at a healthy clip, these gains have not been enough to offset the job losses in SAG's manufacturing industry and the lack of expansion in the remaining industries. The lack of significant job creation is weighing heavily on SAG's unemployment rate, which, at 7.5%, is among the highest in the state. The increase in homebuilding over the previous year has exacerbated oversupply conditions in SAG's housing market. As a result, home price growth has decelerated from over 6% growth in 2002 to under 3% growth in the first quarter of 2003.*

Auto manufacturing. *Top employer and auto parts manufacturer Delphi Corporation faces tougher times in the near term. The lack of pent-up demand for automobiles, along with continued consolidation in the automotive parts industry in the face of heightened competition, dampens the prospects for parts suppliers in the area. Weaker sales so far this year have forced many auto manufacturers to revise their production plans this year, which in turn means decreased business for auto parts manufacturers. For SAG, the anticipated decline in automobile production, and subsequent demand for auto parts, will exacerbate already weak hiring conditions among SAG manufacturers tied to the auto industry.*

Demographic trends. *SAG has yet to show any signs of improvement in its demographic trends. Population growth has hovered around zero for nearly a decade, making SAG one of the worst performing metro areas in the state and the region in terms of expanding its population base. SAG has never had a year of positive net migration. In fact, the number of residents moving out of SAG has more than doubled the number of new residents into the metro area since 1997. The secular decline of SAG's manufacturing industry is putting downward pressure on incomes, which in turn makes the metro area less attractive for prospective residents.*

One of the factors limiting the metro area's ability to attract and retain residents is its justified reputation as an auto-parts manufacturing metro area. The economic success of SAG remains closely tied to the fortunes of the auto industry, specifically, to the success of GM given Delphi's close ties to the automaker. As a result, the metro area offers little in the way of high-growth employment opportunities to metro area residents. With limited opportunities for job growth on the horizon, the outlook for SAG's demographic trends is increasingly poor.

Credit quality. *Given SAG's high jobless rate, it is no surprise that the metro area suffers from a rising number of personal bankruptcies. The degradation of household credit conditions began in 2001, when personal bankruptcies rose 35%. In 2002, personal bankruptcies increased 10%. Thus far in 2003, SAG's personal bankruptcy rate has shown no signs of improving, indicating that households are struggling to manage their debt burden in a weak job market. Contributing to the decline in household credit quality is the steady depletion of high-paying manufacturing jobs, leaving job growth to significantly lower-paying industries.*

Saginaw-Bay City's near-term outlook is poor, as the economy's high exposure to manufacturing, particularly auto production, leaves it vulnerable during periods of weak economic growth. High business costs, low industrial diversity, and a justified reputation as a manufacturing-based metro area limit SAG's potential for attracting new companies to the area.

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Oversupply conditions in the SAG housing market will put downward pressure on home prices. Unless SAG is able to attract high-value added businesses, declining demographic trends in the form of increasing out-migration will continue to drive the economy's weak performance. As such, SAG is expected to perform poorly over the forecast horizon.

Despite this pessimistic outlook, it is our opinion that the metropolitan area could sustain a higher level of growth if it were to form an economic development organization that would represent the entire Tri Cities market. Bay City and the balance of this market offer many benefits to an organization wishing to expand. The principal benefits of locating in this market are: (1) an excellent quality of life; (2) modest housing costs; (3) a relatively low cost of doing business in this market; (4) absence of traffic congestion; and (5) an abundance of skilled labor.

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TABLE 9
NON-AGRICULTURAL EMPLOYMENT
TRI-CITIES, 1996-2003
IN THOUSANDS

	Year 1996	Year 1997	Year 1998	Year 1999	Year 2000	Year 2001	Year 2002	Year 2003	CAC 1996 to 2003
Construction & Mining	9.0	9.3	9.3	9.9	10.1	10.2	9.3	10	1.52%
Manufacturing	31.9	31.9	31.8	32.0	32.0	28.2	25.3	24	-3.98%
Trade (1)	29.1	29.1	29.3	30.8	31.4	30.5	29.7	29	-0.05%
T.C.P.U. (2)	7.1	6.8	7.0	7.0	7.2	7.1	7.4	7.6	0.98%
F.I.R.E. (3)	6.9	6.9	7.2	6.7	6.5	7.5	7.8	7.5	1.20%
Services & Other	70.4	71.4	71.7	71.4	71.8	72.6	74.6	73.8	0.68%
Total Government	21.9	22	22.3	22.5	23.3	23.9	23.9	22	0.07%
Total Non-Farm Employment (4)	176.3	177.4	178.6	180.3	182.3	180.0	178.0	173.9	-0.20%
Local unemployment rate	6.2%	5.2%	4.4%	4.5%	3.7%	4.3%	5.7%	7.9%	
United States unemployment rate	5.4%	4.9%	4.5%	4.2%	4.0%	4.7%	5.8%	6.1%	

(1) Wholesale and Retail Trade

(2) Transportation, Communications, and Public Utilities

(3) Finance, Insurance, and Real Estate

(4) Total is not necessarily equal to the sum of the displayed data due to rounding

(5) CAC represents Compound Annual Change

Source: U.S. Department of Labor, Bureau of Labor Statistics; compiled by The Weitzman Group, Inc.

TABLE 10
NON-AGRICULTURAL EMPLOYMENT
TRI-CITIES, 1996-2003
DISTRIBUTION

	Year 1996	Year 1997	Year 1998	Year 1999	Year 2000	Year 2001	Year 2002	Year 2003 est.
Construction & Mining	5.10%	5.24%	5.21%	5.49%	5.54%	5.67%	5.22%	5.75%
Manufacturing	18.09%	17.98%	17.81%	17.75%	17.55%	15.67%	14.21%	13.80%
Trade (1)	16.51%	16.40%	16.41%	17.08%	17.22%	16.94%	16.69%	16.68%
T.C.P.U. (2)	4.03%	3.83%	3.92%	3.88%	3.95%	3.94%	4.16%	4.37%
F.I.R.E. (3)	3.91%	3.89%	4.03%	3.72%	3.57%	4.17%	4.38%	4.31%
Services & Other	39.93%	40.25%	40.15%	39.60%	39.39%	40.33%	41.91%	42.44%
Total Government	12.42%	12.40%	12.49%	12.48%	12.78%	13.28%	13.43%	12.65%
Total Non-Farm Employment (4)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

(1) Wholesale and Retail Trade

(2) Transportation, Communications, and Public Utilities

(3) Finance, Insurance, and Real Estate

(4) Total is not necessarily equal to the sum of the displayed data due to rounding

(5) CAC represents Compound Annual Change

Source: U.S. Department of Labor, Bureau of Labor Statistics; compiled by The Weitzman Group, Inc.

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TABLE 11
ANNUAL AVERAGE UNEMPLOYMENT RATES
BAY CITY, TRI-CITIES, MICHIGAN STATE AND THE UNITED STATES

Year	Bay City	MSA	Michigan	United States
1993	9.4	6.9	7.1	6.9
1994	9.5	6.4	5.9	6.1
1995	8.3	5.9	5.3	5.6
1996	7.0	4.9	4.9	5.4
1997	6.4	4.4	4.2	4.9
1998	6.4	4.4	3.9	4.5
1999	6.4	4.2	3.8	4.2
2000	5.5	3.9	3.5	4.0
2001	7.4	5.4	5.3	4.8
2002	9.0	6.5	6.2	5.8
2003*	10.1	7.5	6.9	5.7

*=As of November 2003

Source: U.S. Department of Labor, Bureau of Labor Statistics; compiled by The Weitzman Group, Inc.

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TABLE 12
TOP 10 EMPLOYERS
IN
BAY CITY AND TRI-CITY AREA

Organization	Employees	City/County	Product/Service
1) Bay Regional Medical Center	1,749	Bay City/Bay County	Health care services
2) Bay City Public Schools	1,270	Bay City/Bay County	Education
3) General Motors Powertrain	1,167	Bay City/Bay County	Automotive components
4) Dow Corning Corporation	1,000	Auburn/Midland County	Silicone products
5) Delta College	949	Frankenlust Township/Bay County	Higher education
6) Monitor Sugar Company	887	Monitor Township/Bay County	Sugar beet processing
7) Meijer, Inc.	848	Bay City/Bangor Township/Hampton Township/Bay County	Grocery/general merchandise
8) Bay County	619	Bay City/Bay County	County government
9) Consumers Energy	501	Bangor Township/Bay County	Utility
10) SC Johnson	480	Bay City/Bangor Township/Bay County	Plastic bags and wrap

Source: City of Bay City; compiled by The Weitzman Group, Inc.

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- THE MICHIGAN TOURISM MARKET -

INTRODUCTION

The purpose of this section is to evaluate the potential for developing destination tourist uses on the Uptown at River's Edge site. The first phase of the analysis evaluates trends in tourism expenditures in the State of Michigan and in Bay City. The second phase of the research focused on an evaluation of major tourist destinations in the State. The objective was to understand the nature of tourism in the state, and to determine what types of tourist venues, if any, could be successfully developed on the property.

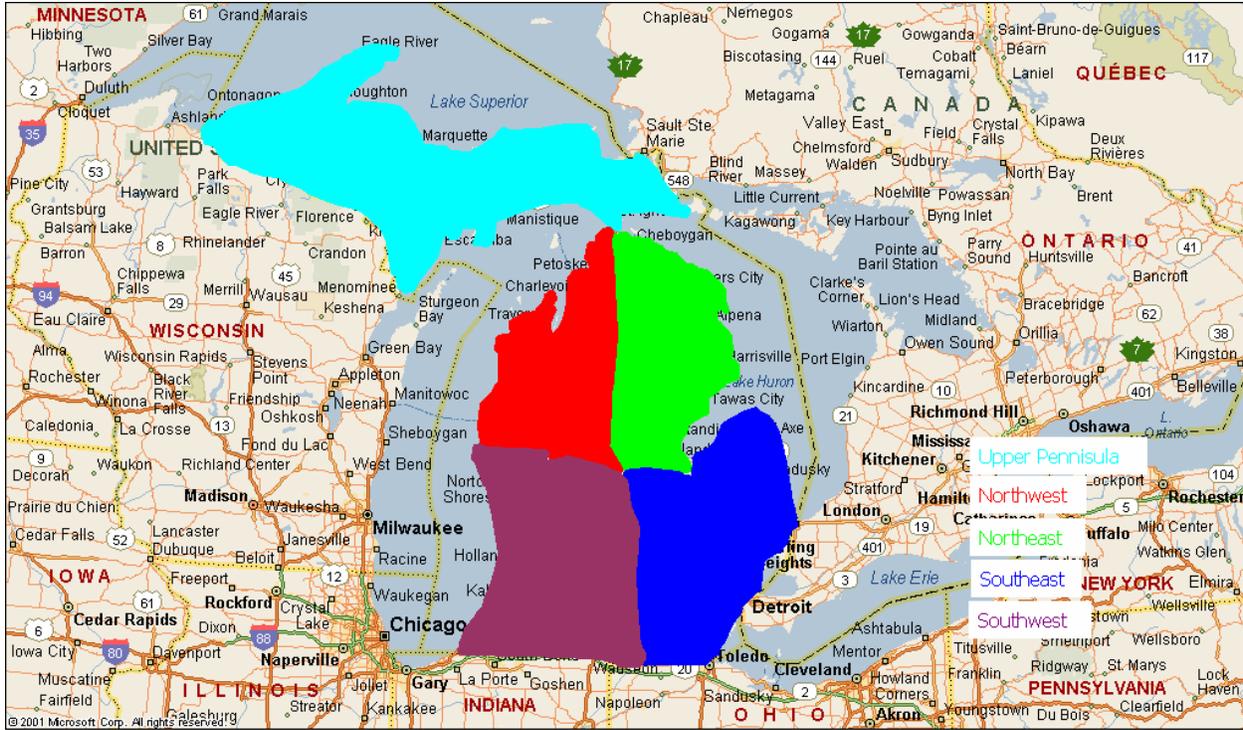
TOURIST EXPENDITURES PATTERNS

According to the Michigan State University Travel, Tourism and Recreation Resource Center, tourist expenditures in the state of Michigan increased modestly in 2001 and 2002. Michigan is experiencing a large and long running travel trade deficit. In other words, Michigan residents spend more tourist dollars outside the State compared to expenditures within the State.

In 2001, Michigan tourists spent approximately \$14.5 billion, up 2.1% from the previous year based on a study prepared by D.K. Shifflet & Associates Ltd in January 2004. Of the \$14.5 billion, the Tri-Cities area only achieved 6.5% of the market share of tourist expenditures. Bay County garnered the smallest share at 0.3%, while Midland and Saginaw counties captured 0.7% and 5.5%, respectively. In 2002, Bay County's share of total tourist expenditures increased slightly to 0.5% direct expenditures, while Midland County rose to 1.0% and Saginaw County decreased to 3.9%.

In 2002, Michigan hosted nearly 74 million leisure travelers; this represents only 3.53% of the United States travel market. The nearly 74 million visitors spent \$14.9 billion in Michigan in 2002, an increase of 2.8% over 2001. By comparison, Wisconsin traveler expenditures were \$12 billion in 2002 and Illinois traveler expenditures were nearly \$22 billion. Table 14 illustrates the spending history of Michigan travelers by leisure and business, while Table 15 illustrates Michigan's share of US travelers.

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TABLE 14
MICHIGAN TRAVELER SPENDING HISTORY
1992 - 2002
(BILLIONS)

	<u>Leisure</u>	<u>Business</u>	<u>Total</u>
1992	6.4	3.3	9.7
1993	6.8	3.7	10.4
1994	6.8	3.7	10.5
1995	7.2	4.5	11.6
1996	7.8	4	11.7
1997	7.8	3.8	11.6
1998	8.7	4.5	13.2
1999	8.8	4.7	13.6
2000	9.8	4.4	14.2
2001	10.1	4.3	14.5
2002	10.4	4.4	14.9

Source: D.K. Shifflet & Associates Ltd.; Compiled by The Weitzman Group, Inc.

TABLE 15
MICHIGAN'S SHARE OF DOMESTIC TRAVELERS
1992 - 2002

	<u>Leisure</u>	<u>Business</u>	<u>Total</u>
1992	3.25%	3.04%	3.19%
1993	3.16%	3.45%	3.24%
1994	3.07%	2.81%	2.98%
1995	3.25%	3.13%	3.22%
1996	3.41%	3.40%	3.40%
1997	3.23%	2.97%	3.15%
1998	3.63%	3.31%	3.55%
1999	3.17%	2.88%	3.09%
2000	3.11%	2.95%	3.06%
2001	3.45%	2.79%	3.28%
2002	3.74%	2.94%	3.52%

Source: D.K. Shifflet & Associates Ltd.; Compiled by The Weitzman Group, Inc.

The northeast region of Michigan, in which Bay City is located, attracted 9.3 million leisure visitors in 2002, reflecting a 13.0% share of the total Michigan tourist market. Of the total number of visitors to the northeast region, 78.0% were from Michigan, with 45.0% of the visitors were from the Detroit area, 7.0% from Illinois, 3.0% from Ohio and 3.0% from Indiana. Most of the travelers to this region, 89.0%, travel by automobile and nearly 50.0% of the reason for these travels is to visit friends or relatives. The high percentage of automobiles as a mode of transportation indicates a large percentage of these travelers are in-state visitors.

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The peak periods of travel are during the summer months of June, July, and August, and this is prevalent throughout the state. During these months the Northeast region receives 47.0% of its visitors, while in January, February and March, the percentage of visitors drops to only 9.0%. The state peak time is also the summer months as is the United States, but unlike the Northeast region, the state and the nation's visitation months are evenly distributed.

Traveler expenditures in the northeast region, per day are nearly the lowest in the state. The average spending is \$71 per day, compared to the State average of \$75 and the national average of \$95, per day. Food and beverage accounted for the largest portion of that spending commanding 26.0% while transportation accounts for only 14.0%. Table 16 depicts the northeast region and compares it to the state and national numbers.

TABLE 16
TRAVELER SPENDING
NORTHEAST REGION, MICHIGAN, UNITED STATES

	<u>Northeast Region</u>	<u>Michigan</u>	<u>United States</u>
Average Spending Per Day	\$71	\$75	\$95
<u>Portion of Total Spending</u>			
Transportation	14%	20%	22%
Accommodations	15%	13%	14%
Food & Beverage	26%	25%	23%
Shopping	21%	22%	20%
Entertainment	16%	14%	16%
Miscellaneous	7%	6%	5%

Source: D.K. Shifflet & Associates Ltd.; Compiled by The Weitzman Group, Inc.

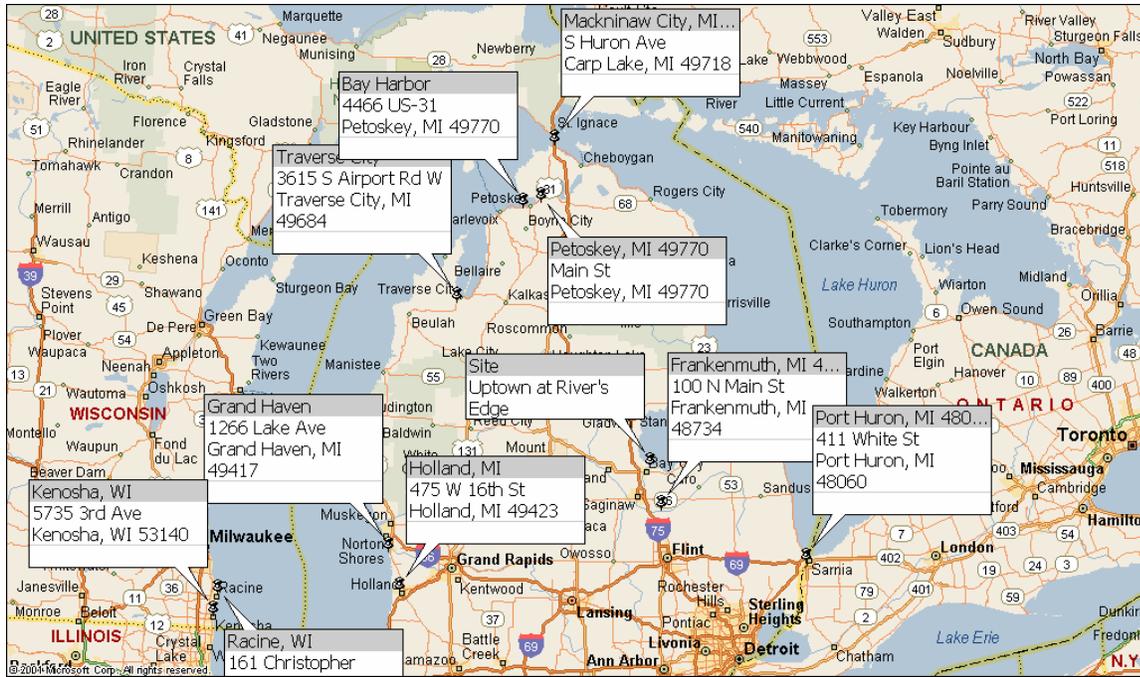
MICHIGAN TOURIST DESTINATIONS

BAY CITY

Bay City is home to a significant number of museums and cultural centers. The Uptown at River's Edge site is within walking distance to some of Bay City's most historic attractions. The City Hall building is the seat of City government; it is located directly across from the site as is the Bay County Historical Museum and the Kantzler Maritime Gallery. The museum, located in a former Armory building, houses a research library and several galleries while the Maritime Gallery includes interactive exhibits tracing the roots of the maritime past of Bay City. The historic district of Center Street is within a short distance from the site. The houses along Center Street were constructed by lumber and shipping barons and their design is reflective of 19th century architecture.

Bay City is host to many tourist attractions that celebrate the history of the area. Guided Trolley tours give visitors a sense of how life was in "Victorian Bay City", and the Trombley House was built by Bay County's first settlers. Other attractions include aerial tours, tall ship outings and

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dinner cruises along the Saginaw River. The Delta College Planetarium and Learning Center houses a state of the art planetarium; it attracts 40,000 visitors a year. The Dutch Village Amusement Park in Bay City boasts miniature golf, batting cages and an ice cream parlor. There are also twelve golf courses within a short drive from the site, two of which are resorts.

FRANKENMUTH

Frankenmuth, Michigan is located approximately twenty two miles south of Bay City and approximately seven miles west of Interstate 75. Frankenmuth is a German Lutheran community of approximately 4,800 people. The largest employer in Frankenmuth is Frankenmuth Bavarian Inn Properties, which is one of the top ten employers in Saginaw County and owns the Bavarian Inn Restaurant, Zehnder's of Frankenmuth, the Lodge and River Place. The second largest employer is the insurance company known as Frankenmuth Mutual.

Frankenmuth, billed as "Michigan's Little Bavaria", hosts approximately 2.5 million visitors per year drawing mainly from Detroit and Canada, with the secondary markets consisting of Ohio and eastern Michigan. There are 750 hotel rooms in Frankenmuth, making it the largest concentration of hotel rooms in Saginaw County.

The most recent development in Frankenmuth is River Place. Funded partially by a Clean Michigan Act Grant of \$2.7 million, River Place is modeled after a small German village and sits on the Cass River at the south end of town. There are numerous small shops and a nightly laser show along with a dock for a river boat tour. In season, this development attracts many visitors; there are only two vacant retail spaces for lease. As a tourist destination in Michigan, Frankenmuth is unusual in that it is not located on the Lake or on a river.

BAY HARBOR

Bay Harbor is located approximately 165 miles northwest of Bay City and three miles west of Petoskey. Bay Harbor is an upscale resort housing community that extends five miles along the Lake Michigan coastline. The private homes and condominiums require a security key to access the private roads. The resort offers vacation rentals as well as golf, horseback riding, dining, a marina, private beaches, shopping, and convention capacity.

According to the sales office, the initial response to Bay Harbor was strong as they sold all of the lots that were offered in phase one. Since then, due to the economy and the resulting lack of sales, there are numerous unsold lots. The lot prices range from approximately \$100,000 to \$1,000,000+ depending on location, views, and proximity to the water.

PORT HURON

Port Huron, Michigan is located approximately 45 miles south of Bay City. Port Huron is strategically located at the Canadian border; it can attract travelers just coming over the bridge, or travelers heading into Canada. The downtown is two blocks east of the river and a significant amount of the storefronts have undergone similar renovations as to those in Bay City. There is a minor league hockey team, and a performing arts center in Port Huron.

The Acheson Ventures Desmond Landing project is a 50 acre site on the water currently under development. Brownfield tax increment financing was used to finance the general infrastructure of the site while a single business tax credit helped to finance SEMCO Energy's headquarters on the site. The Brownfield and the single business credit totaled approximately \$8.2 million. A

mixed use development is planned on the site, in addition to SEMCO Energy's headquarters and an educational maritime center featuring marine themed public open space and a pedestrian mall. The project is hoping to generate more than \$100 million in private investment.

MACKINAW CITY

Mackinaw City, Michigan is located approximately 180 miles north of Bay City and serves as one of only two public ferry links to Mackinaw Island. The population of Mackinaw City is 850. The two ferry services run every 30 minutes during the summer months, the peak time for this seasonal town. The summer months sustain the town for the year as almost all establishments close in the winter. There is one main street that runs from the highway down to the ferry docks running west to east.

There are 55 hotels in Mackinaw City, almost all of which also close for the winter months. According to the Mackinaw City Visitor's Bureau, the hotels open May 1st and close October 1st with only about six remaining open in the winter.

There have been no significant developments in the past few years. According to the Chamber of Commerce, there are plans for an outdoor water park on Route 31 near the southbound highway entrance.

PETOSKEY

Petoskey, Michigan is approximately 160 miles northwest of Bay City and is situated on a bluff overlooking Lake Michigan. The population of Petoskey is 7,000. The Petoskey waterfront consists of a renovated park and pedestrian mall with an arched entrance to downtown. The entrance "tunnels" under Route 31 and it has three sets of stairs leading up to the downtown area. The waterfront has a marina; it was funded almost completely by the joint efforts of the City, the Economic Development Office of Michigan and the US Department of Commerce, which is consistent with almost all of the waterfront communities visited. The public park and pedestrian mall have a maritime theme with replicas of historic boats and marine sculptures interwoven along the jetties and sidewalks. During the summer months the waterfront park has a restaurant and a fully operable marina and public boat launch. The types of stores in downtown Petoskey are similar to the shops on Saginaw Street in Bay City.

TRAVERSE CITY

Traverse City is located approximately 150 miles northwest of Bay City. The population of Traverse City is 14,500, while Grand Traverse County has 77,600 people. The largest employer in Traverse City is Munson Medical Center. Traverse City has four public beaches and a ski area.

One of the major attractions in Traverse City is the Great Wolf Lodge, a 281 all-suite, northwoods themed hotel catering to families. The lodge opened in the early spring of this year. The lodge houses a 38,000 square foot indoor water park featuring eight waterslides and five pools, making it Michigan's largest indoor water park. The lodge is located three miles from the downtown and the waterfront area on Highway 31 South.

KENOSHA, WISCONSIN

Kenosha, Wisconsin is located approximately 380 miles from Bay City and the downtown is five miles east of Interstate 94. The population of Kenosha is 90,000 making it the 4th largest city in

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FRANKENMUTH



BAY HARBOR



PORT HURON



MACKINAW CITY



PETOSKEY



TRAVERSE CITY



KENOSHA, WISCONSIN



RACINE, WISCONSIN

Wisconsin. The largest employer in Kenosha is Kenosha Unified School, which employs approximately 2,500 people. The second largest is DaimlerChrysler with 1,650 employees.

Harbor Park is a 69 acre development on the Kenosha waterfront which used to house American Motors. The plant was closed in 1989 and the buildings were demolished and the site was cleaned up, and sold to the city. A new marina was the first project to be completed followed by the building of housing units and a museum. The housing units and museum are connected to downtown and major railways by a trolley car that has many stops around the development. The residential unit development is just now being completed after four years; according to the economic development office the sales have been strong for these units.

RACINE, WISCONSIN

Racine, Wisconsin is located approximately 395 miles from Bay City and 10 miles east of Interstate 94. The population of Racine is 90,000.

In the early 1980's the unemployment rate of Racine was 20% and the economic development planning office initiated a proposal to fix a blighted waterfront. Racine used to be a commercial port and the waterfront area housed large oil containers. When the time came to redevelop the waterfront, Racine received financial help from federally funded bonds as well as EDA money. The plans called for a marina and a festival park which stretched out into the lake complete with parks, pedestrian mall, a seasonal, lakefront restaurant and condominiums on the water. When these were completed no further development was financially feasible. After a major downtown revitalization effort was recently completed the city is once again looking to revitalize the waterfront and is actively seeking to bring in a convention center to the area. The downtown revitalization effort included a reconstructed new art museum and a sailing museum.

SUMMARY

The following observations can be made about the tourist industry in Michigan. First, tourism accounts for only a small portion of the total economic base of the State. Second, tourism expenditures have been increasing very slowly over the past several years, partially as a result of slow economic growth. Third, Michigan is not a major tourist destination for out of state households. The majority of tourist dollars spent in the state are generated by residents of the state. Fourth, the tourist market is very seasonal, extending between Memorial Day and Labor Day. Fifth, the most popular tourist destinations are on, or very near, one of the Great Lakes. Sixth, residents of Michigan spend more tourist dollars out of state than they do in the State of Michigan.

In our opinion, a major tourist destination use similar to those that already exists in Michigan would not be marketable on the Uptown at River's Edge site because: (1) a major tourist destination would require support from households throughout the State, however, the tourist market is not growing significantly in the state; and (2) any venue would have to capture market share from existing and more well established tourist destinations in the State. This opinion does not rule out the possibility that an area of the site could be allocated to family entertainment uses. However, the scale of the venture must be such that it could be supported by households in the metropolitan area. The City should also enter into discussions with boat tour companies to establish a Port of Call at the Uptown at River's Edge property. The boats could provide dinner cruises on the river as well as provide extended cruises to other ports of call on the Great Lakes.

- HOUSING MARKET ANALYSIS -

CONSTRUCTION TRENDS

Building permits issued for new construction are one indicator of the strength of a housing market. Issuance of building permits were analyzed for Bay City and the Saginaw, Bay City, Midland MSA. Approximately 1,100 to 1,200 building permits have been issued in the MSA over the past several years. It accounts for a relatively small share of total permits issued in the State of Michigan, approximately 3.0%.

Single family housing is the predominant housing type in this market. Permits issued for new single family homes have accounted for over 85.0% of total permits issued during the past several years.

TABLE 17
BUILDING PERMITS ISSUED FOR NEW CONSTRUCTION
BAY CITY, MICHIGAN

Year	Residential	Commercial
1998	28	8
1999	10	4
2000	4	4
2001	5	7
2002	12	4
2003 YTD	7	2
Total	66	29

Source: Bay City Government; compiled by The Weitzman Group, Inc.

The majority of new construction in the metropolitan area is occurring outside the three central cities. For example, only 66 new residential building permits have been issued in Bay City since 1998 and only 24 permits have been issued in the past three years. In 2000 and 2001, there were nine permits issued, slightly increasing in 2002 with 12 permits issued. As of October 2003, seven residential permits had been issued in the City. The amount of commercial permits issued has been declining over the past three years, with seven permits issued in 2001, four in 2002 and only two as of October 2003.

Midland, when compared to Bay City and Saginaw, has issued the largest number of permits ranging from 84 to 92 permits issued over the past several years. Again, the higher number of permits issued in Midland reflect the fact that this city is the economic center of the metropolitan area. Further, the Midland school district is considered the best district in the metropolitan area and the quality of schools is a very important location consideration amongst families with children. The total permits issued in this city have accounted for less than 10.0% of all the residential permits issued in the three county MSA.

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TABLE 18
BUILDING PERMITS ISSUED FOR NEW CONSTRUCTION
MIDLAND, MICHIGAN

Year	Residential	Commercial
1997	108	26
1998	95	19
1999	N/A	N/A
2000	92	16
2001	86	17
2002	84	14
Total	357	66

Source: Midland Government; compiled by The Weitzman Group, Inc.

TABLE 19
BUILDING PERMITS ISSUED FOR NEW CONSTRUCTION
SAGINAW, MICHIGAN

Year	Residential	Commercial
1998	N/A	N/A
1999	N/A	N/A
2000	54	3
2001	42	6
2002	31	3
Total	127	12

Source: Saginaw Government; compiled by The Weitzman Group, Inc.

The number of residential permits issued in Saginaw has been declining since 2000. This trend is in line with the economic and demographic composition of this market. Since 2000, 127 new residential building permits have been issued and in 2002 there were nearly half as many permits issued as the were in 2000. In 2000, 54 new, residential permits were issued and in 2001, 42 permits were issued, and only 31 permits were issued in 2002. The amount of commercial permits issued has been fluctuating over the past three years, with three permits issued in 2000, six in 2001 and three in 2002. The number of commercial permits issued since 2000 is three fewer than Bay City in the same period, indicating very little growth for a city with nearly 24,000 more people.

The building permit data indicates that the housing market in the Saginaw Bay City Midland MSA is expanding, but at a very modest pace. The growth of housing is occurring outside the central cities in suburban locations. The total number of building permits issued in the metropolitan area is high given the absence of household growth in this market. Economy.com has concluded that there is an oversupply of housing in this metropolitan area.

THE OWNERSHIP HOUSING MARKET

SINGLE FAMILY

Ownership housing market accounts for approximately 79.3% of the total housing stock in the metropolitan area. The single family home is the predominant housing type in this market; multi-family for sale housing accounts for a very small share of the ownership housing stock.

Single family home sales were analyzed in Bay County in order to evaluate the depth of the housing market. Total sales were reviewed from 1991 to 2003 in Bay County. From 1994 to 1998, the velocity of sales was quite stable at approximately 1,100 units sold. In 2000, the number of units sold rose in excess of 1,200 units and sales exceeded 1,300 units in 2002. The rise in sales since 2000 is due partially to the low interest-rate environment in the United States over the past several years.

The average price of a typical single family home in Bay County was \$97,800 in 2002. Thus, Bay County is a very affordable place to live; by comparison, the average sales price of a home in the United States was \$201,600 in 2002.

TABLE 20
SINGLE FAMILY HOMES SALES
BAY COUNTY, MICHIGAN

<u>Year</u>	<u>Sales</u>	<u>Volume</u>	<u>Average Price</u>
1991	933	\$50,552,010	\$54,182
1992	1,005	\$58,264,778	\$57,975
1993	1,034	\$63,699,662	\$61,605
1994	1,134	\$72,784,245	\$64,184
1995	1,128	\$76,450,788	\$67,776
1996	1,175	\$85,304,136	\$72,599
1997	1,156	\$91,841,203	\$79,447
1998	1,193	\$103,273,383	\$86,566
1999	1,063	\$98,213,047	\$92,392
2000	1,221	\$120,271,174	\$98,502
2001	1,238	\$122,431,886	\$98,895
2002	1,313	\$128,418,350	\$97,805
2003 (a)	1,262	\$125,411,306	\$99,375
Averages	1,143	\$92,070,459	\$79,331

(a) Through November 2003

Source: Realtor Association of Bay County

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In order to evaluate the depth of the market by sales price range, we arrayed the transactions by sales price. It is clear that the majority of single family housing demand is for moderately priced housing. Furthermore, the single family housing market is relatively soft as indicated by the number of days the typical home is on the market. Very few homes are sold within 30 days of going on the market; in fact, it is not unusual for a home to sit on the market for six months before a sale is consummated. Single-family housing is not an appropriate use for the Uptown at River's Edge site nor is it permitted by zoning.

THE CONDOMINIUM MARKET

Condominiums represent a small segment of the ownership housing market in Bay City and in the Saginaw Bay City, Midland MSA. The majority of condominium housing that has been built in the market, and particularly in Bay City, has been targeted to affluent empty nesters. Thus, the average price point of condominium sales is significantly greater than that of single family homes in this market. On the other hand, the velocity of condominium sales is far lower than that of single family transfers, because condominium sales represent such a small portion of the market.

Condominium sale transactions in Bay County in 2002 and 2003 are presented in Table 21. During the past 48 months, there were 85 sales of condominiums in Bay County. The average sale price was approximately \$171,200. It is clear that the depth of the condominium market is for units priced under \$175,000; approximately 70.0% of all sales were of units selling from \$100,000 to \$175,000.

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TABLE 21
CONDOMINIUM SALES TRENDS
BAY COUNTY, MICHIGAN
2002-2003

Price Range	Number of Sales	Average Sales Price	Average SqFt	Average Sales Price Per SqFt
\$100,000 - \$124,999	9	\$112,069	1,161	\$96.49
\$125,000 - \$149,999	28	\$139,147	1,308	\$106.38
\$150,000 - \$174,999	23	\$157,772	1,357	\$116.31
\$175,000 - \$199,999	8	\$187,031	1,584	\$118.10
\$200,000 - \$224,999	6	\$211,483	1,646	\$128.51
\$225,000 - \$249,999	1	\$225,000	1,330	\$169.17
\$250,000 - \$274,999	2	\$263,750	2,225	\$118.54
\$275,000 - \$299,999	5	\$281,900	2,060	\$136.84
\$300,000 - \$324,999	1	\$300,000	1,615	\$185.76
\$325,000 - \$349,999	0	\$0	0	\$0.00
\$350,000 - \$374,999	0	\$0	0	\$0.00
\$375,000 - \$399,999	1	\$390,000	2,000	\$195.00
\$400,000 +	1	\$400,000	2,000	\$200.00
Totals/Averages:	85	\$171,184	1,441	\$116.58

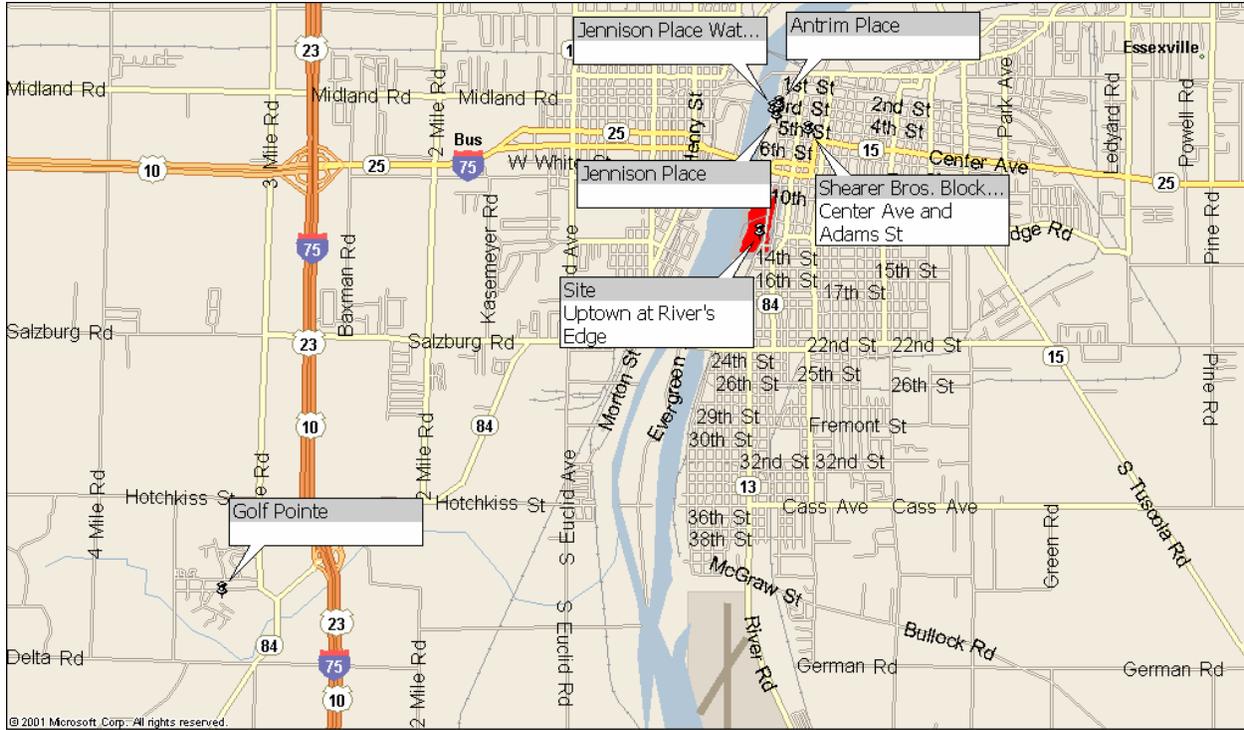
Source: Multiple Listing Service; Compiled by The Weitzman Group, Inc.

The most desired condominium location in the metropolitan area is in Bay City; within the City, the premier location is on, or near, the riverfront. Condominiums in Bay City achieve the highest price point in the market; selected units sell in excess of \$450,000. To date, the majority of condominium buyers in Bay City are affluent empty nesters from the local market and Midland.

General Characteristics of Selected Condominium Residences

Shearer Brothers Block Condominiums is located approximately one-half mile north of the Uptown at River's Edge property at the corner of Center Avenue and Adams Street in downtown Bay City, Michigan. The developer is Dr. Jim Reed who has converted several other properties into condominiums in downtown Bay City. The property is currently under construction and is an adaptive reuse of a former office building known as the Shearer building. The building includes four floors with a planned total of 12 units on floors two through four. The first floor will house a large atrium, security desk, and a glass enclosed elevator servicing all of the floors. The condominiums will offer state-of-the-art kitchens, washer and dryers and a video security system. The asking price for these two bedroom units ranges from \$330,000 for a 2,200 square foot unit to \$445,800 for a 2,972 square foot unit. The price per square foot for these units is approximately \$150.00. The developer has binding reservations on three of the twelve units. The conversion of the Shearer Building is considered pioneering in that it is the first condominium in Bay City that will not be located on the riverfront. The developer has received a tax abatement

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TABLE 22
GENERAL CHARACTERISTICS
SELECTED CONDOMINIUM COMMUNITIES
2003

Property	Unit Type	High Price	Low Price	High SqFt	Low SqFt	High Price SqFt	Low Price SqFt	# of Units	Units Sold or		Year Built
									Under Construction		
1.) Shearer Bros. Block Condominiums Center & Adams Bay City, MI	Two Bedroom	\$445,800	\$330,000	2,972	2,200	\$150.00	\$150.00	12	3		Under Construction
2.) Antrim Place Bay City Riverfront Bay City, MI	Two Bedroom	\$475,000	\$399,000	2,334	2,154	\$203.51	\$185.24	4	1		Under Construction
3.) Jennison Place Jennison Place Bay City, MI	Two Bedroom	\$425,000	\$299,900	1901	1620	\$223.57	\$185.12	33	30(1)		1999
4.) Golf Pointe Condominiums Bay Valley Bay City, MI	Three Bedroom	\$295,000	\$285,000	1,950	1,950	\$151.28	\$146.15	15	3		Under Construction
5.) Jennison Place Riverfront Bay City Riverfront Bay City, MI	Three Bedroom	\$399,900	\$399,900	2,128	2,128	\$187.92	\$187.92	6	5(2)		1999

- 1.) Three units are available for resale
2.) One unit is available for resale

Source: Field survey performed by The Weitzman Group, Inc.



SHEARER BROTHERS BLOCK CONDOMINIUMS



ANTRIM PLACE



JENNISON PLACE



GOLF POINTE

for eight years, thereby significantly reducing the tax liability to prospective buyers during the abatement period.

Antrim Place is located approximately one-half mile north of the site on the riverfront in Bay City. The building has two floors and includes four condominium units on the second level and retail space on the ground floor. Developed by Dr. Jim Reed, this building is partially a renovation of an existing building and partially new construction. The project offers two bedroom, two and a half bath units with state of the art appliances, a two car garage, and a private boat dock. The asking price for these units ranges from \$399,000 for 2,154 square feet of living area to \$475,000 for a 2,334 square foot unit. The prices per square foot for these units range from \$203.51 to \$185.24. The building is under construction and will be completed shortly. The ownership has sold one unit. The property is situated on the Saginaw River; each unit will have a view of the river.

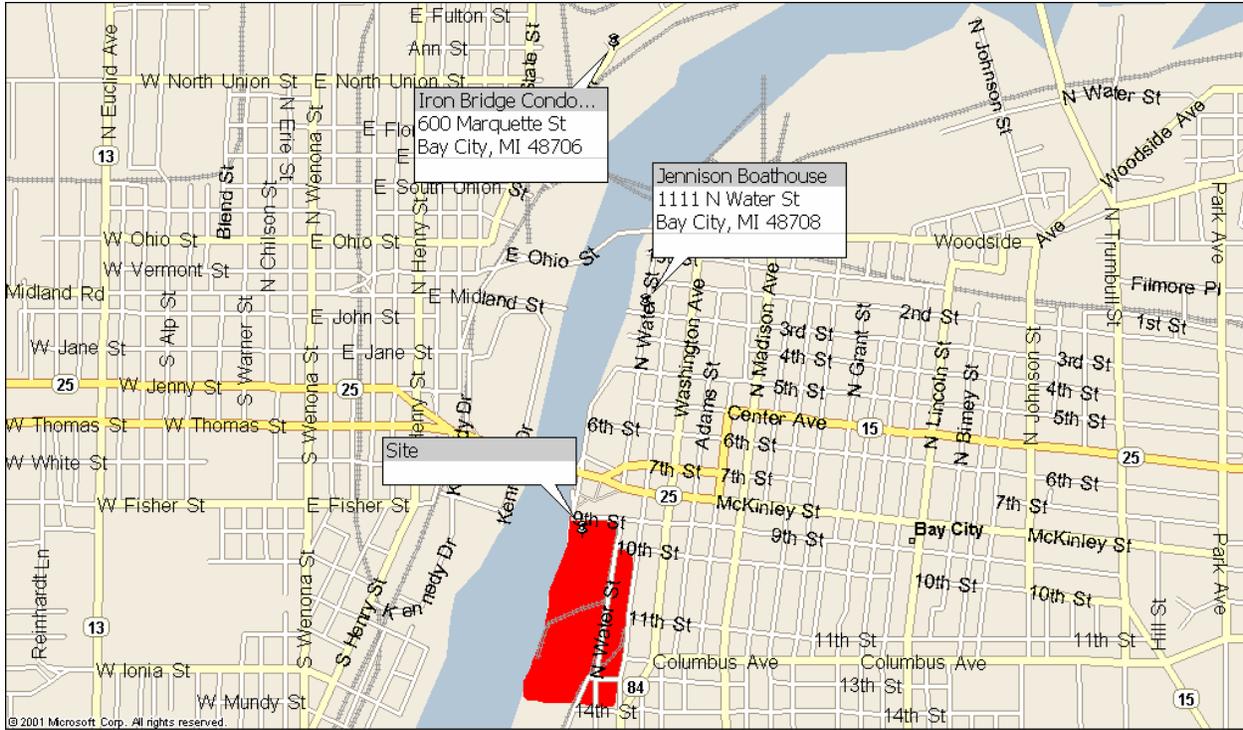
Jennison Place is located approximately one-half mile north of the property at the corner of Jennison Place and Water Street in downtown Bay City. The property was converted to condominiums in 1997; it was formerly the Jennison Hardware building. The developer of the project was Mr. Paul Rawley, a local businessman. Jennison Place was the first residential condominium building to be developed in downtown Bay City. The building has seven floors with a total of 33 units; three units are currently for sale. The first floor houses an art gallery. The condominiums offer state of the art kitchens, gated access, garage parking, washer and dryers and an intercom security system. Many of the old industrial design features of the building were left intact during the renovation, e.g. the cement covered shafts are exposed in each unit. The asking price for the two bedroom units ranges from \$299,000 for a 1,620 square foot unit to \$425,000 for 1,901 square feet of living space. The price per square foot ranges from \$185.12 to \$223.57.

Golf Pointe Condominiums is located approximately six miles southwest of the subject site in Bay Valley, Michigan. The first phase of the development was completed in 1997 and the second phase is currently under construction. Developed as duplexes, the condominium residences have one floor with a basement. The units feature new kitchens and appliances, gated community access, two car garage parking, washer and dryers and lake and golf course views. The asking price for the two bedroom units range from \$285,000 to \$295,000 for 1,950 square feet of living area. The prices per square foot for these units range from \$151.28 to \$146.15. The location of this property is inferior to those of the condominium residences in downtown Bay City.

There are two condominium projects proposed for future development in downtown Bay City. Mr. Paul Rawley is planning to convert the former Jennison Boat House into 37 condominium units; selected units will have views of the river. The city granted the developer a tax abatement through the Obsolete Properties Rehabilitation program. Construction is projected to commence in March and the project will take 20 months to complete. The projected sales price of the units will range from \$300,000 to \$600,000.

A second condominium project is proposed on the west bank of the river near the marina. Known as Iron Bridge, the building will include 67 units which will range in price from \$100,000 to \$320,000. Unlike many of the condominium residences in Bay City which were created through the adaptive reuse of a commercial structure, this building will be new construction.

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There are several observations that can be made regarding the condominium market in Bay City:

- First, almost all of the existing and proposed condominium developments appeal to affluent empty nesters; but this market is relatively thin;
- Second, condominium units sell at a very slow pace in downtown Bay City as a result of the high price point of the units;
- Third, there are in excess of 100 luxury units under construction and proposed for future development in downtown Bay City. This is a record high level of new construction in the City; in our opinion, there is a very high likelihood that the market will become overbuilt with luxury units priced above \$400,000;
- Fourth, the development community views tax abatements as being absolutely necessary in order to make a condominium project feasible;
- Fifth, there is a complete absence of condominium product targeted to the first time home buyer; and
- Sixth, there are no moderately priced condominium units that would appeal to middle income empty nesters.

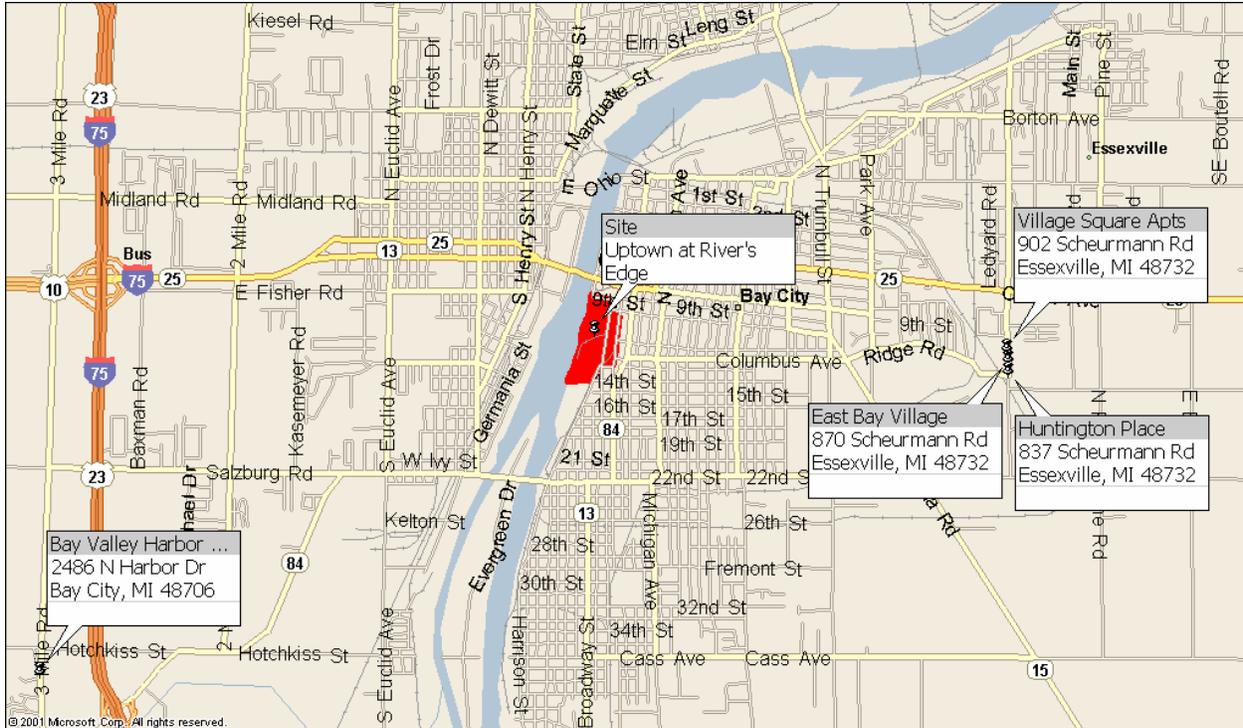
THE MULTI-FAMILY RENTAL MARKET

The multi-family rental market is best described as stable in the metropolitan area and Bay City. Relative to other metropolitan areas, the rents rates are relatively low. Most units rent for less than \$1.00 per square foot per month and the majority of the units rent from \$500 to \$900 per month. The quality of the product is average. There are no major rental properties located on the riverfront in Bay City. Our research indicates that there is no rental housing under construction or proposed for future development in the near future in Bay City or in the metropolitan area. A summary of selected rental properties is presented below:

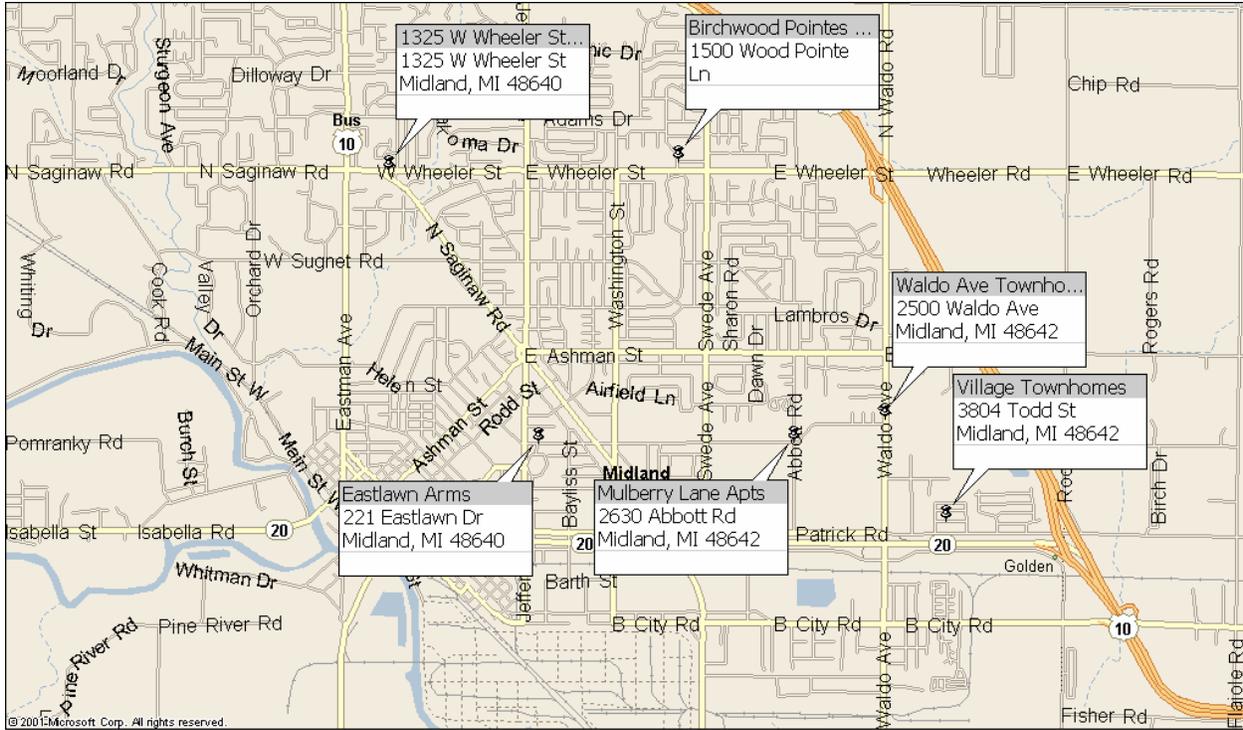
Bay Valley Harbor Apartments is located approximately six miles southwest of the Uptown at River's Edge property at 2486 North Harbor Drive in Bay City, Michigan. The property has numerous two-story buildings with a total of 120 units. The apartments were built in 1975; the quality of the property is commensurate with the age of the community. The apartments offer individual carports, swimming pool, laundry facilities on the site and boat storage. The asking rent for a loft or an efficiency unit ranges from \$350 per month for a 400 square foot unit to \$640 per month for a 725 square foot unit. The rental rates per square foot for these units range from \$0.88 to \$1.42 per square foot per month. The asking rent for a one-bedroom unit ranges from \$535 to \$640 per unit per month for a 535 and 735 square foot unit, respectively, or \$0.86 to \$1.00 per square foot per month. The asking rent for a two-bedroom unit ranges from \$595 to \$820 per unit per month for a 635 and 850 square foot unit, respectively, or \$0.94 to \$0.96 per square foot per month. The property is currently 77% occupied.

Village Square Apartments is located approximately two and a half miles east of the site at 902 North Scheurmann Road in Essexville, Michigan. The property consists of a two story brick building with three levels of apartments, Garden, Main level and Upper Level. The asking rent

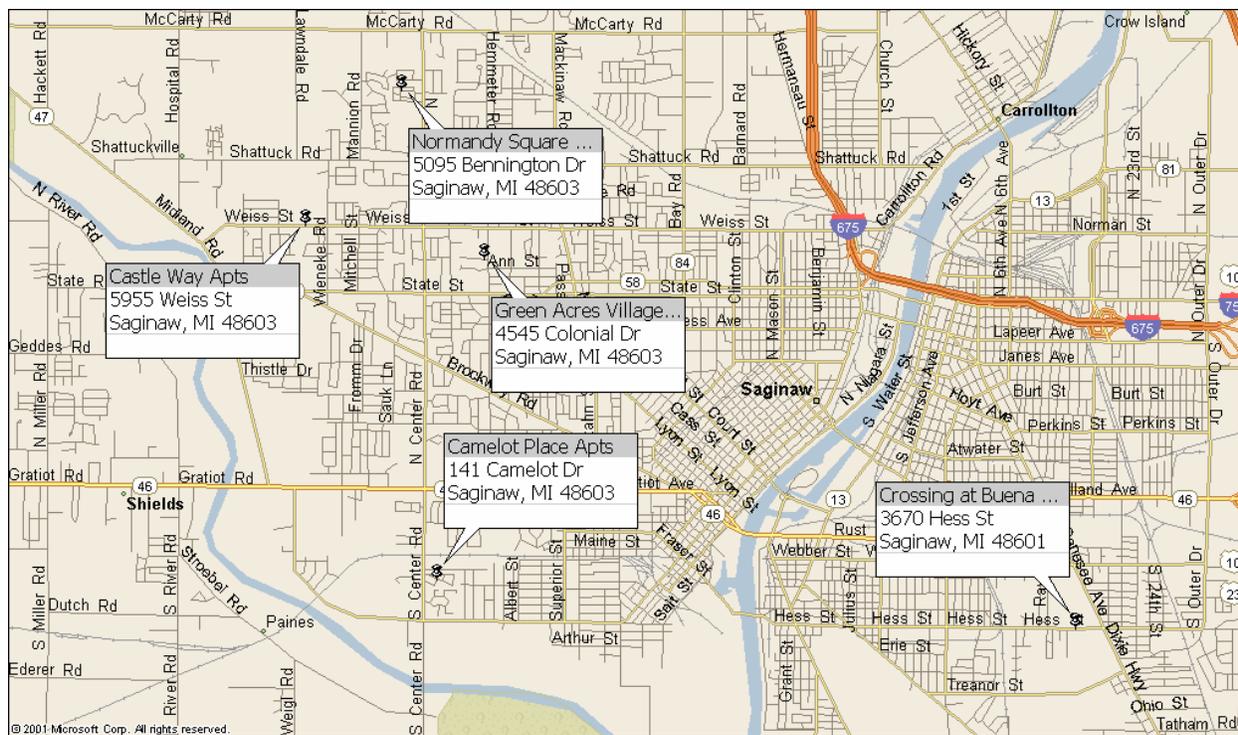
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TABLE 23
GENERAL CHARACTERISTICS
SELECTED RENTAL PROPERTIES
BAY COUNTY, MICHIGAN

	Property	Unit Type	High Rent	Low Rent	High SqFt	Low SqFt	High Price SqFt	Low Price SqFt	# of Units	Occupancy	Year Built
1.)	Bay Valley Harbor Apts	Loft	\$640	\$475	725	495	\$0.96	\$0.88	120	77.0%	1975
	2486 North Harbor Dr	Efficiency	\$595	\$350	420	400	\$1.42	\$0.88			
	Bay City, MI	One Bedroom	\$640	\$535	745	535	\$1.00	\$0.86			
		Two Bedroom	\$820	\$595	850	635	\$0.94	\$0.96			
2.)	Village Square Apts	One Bedroom	\$450	\$450	525	525	\$0.86	\$0.86	96	97.0%	1965
	902 North Scheurmann Rd	Two Bedroom	\$525	\$510	650	650	\$0.81	\$0.78			
3.)	Huntington Place	Efficiency	\$320	\$320	425	425	\$0.75	\$0.75	211	97.0%	1978
	837 North Scheurmann Rd	One Bedroom	\$410	\$390	520	520	\$0.79	\$0.75			
		Essexville, MI	Two Bedroom	\$499	\$485	620	620	\$0.80			
4.)	East Bay Village	One Bedroom	\$569	\$549	770	770	\$0.74	\$0.71	208	95.0%	1973
	1877 W. East Parkway	Two Bedroom	\$609	\$599	920	920	\$0.66	\$0.65			
		Essexville, MI	Three Bedroom	\$794	\$734	1,100	1,020	\$0.72			
	Totals:			\$820	\$320	1,100	400	\$1.42			

Source: Field survey performed by The Weitzman Group, Inc.

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TABLE 25
GENERAL CHARACTERISTICS
SELECTED RENTAL PROPERTIES
MIDLAND, MICHIGAN

	Property	Unit Type	High Rent	Low Rent	High SqFt	Low SqFt	High Price SqFt	Low Price SqFt	# of Units	Occupancy	Year Built
1.)	Waldo Ave Townhouses Waldo Ave Midland, MI	Three Bedroom	\$925	\$925	1,267	1,267	\$0.73	\$0.73	20	70.0%	1998
2.)	1325-1331 Wheeler St 1325-1331 Wheeler St Midland, MI	Three Bedroom	\$925	\$925	1,267	1,267	\$0.73	\$0.73	4	75.0%	2002
3.)	Eastlawn Arms Apts 221 Eastlawn Drive Midland, MI	Studio	\$415	\$415	480	480	\$0.86	\$0.86	154	89.0%	1968
		One Bedroom	\$505	\$480	712	680	\$0.71	\$0.71			
		Two Bedroom	\$545	\$515	817	817	\$0.67	\$0.63			
4.)	Village Townhomes 3804 Todd Midland, MI	Two Bedroom	\$600	\$600	1,288	1,285	\$0.47	\$0.47	112	88.0%	
5.)	Mulberry Lane Apts 2630 Abbott Road Midland, MI	One Bedroom	\$635	\$625	700	700	\$0.91	\$0.89	264	95.0%	1969
		Two Bedroom	\$695	\$665	1,035	950	\$0.70	\$0.67			
		Three Bedroom	\$760	\$750	1,175	1,175	\$0.65	\$0.64			
6.)	Birchwood Pointes Apts 1500 Wood Pointe Lane Midland, MI	One Bedroom	\$809	\$769	1,018	927	\$0.83	\$0.79	130	88.0%	1991
		Two Bedroom	\$919	\$779	1,220	1,000	\$0.78	\$0.75			
		Three Bedroom	\$1,009	\$969	1,300	1,240	\$0.78	\$0.78			
		Totals:	\$1,009	\$415	1,300	480	\$0.91	\$0.47			

Source: Field survey performed by The Weitzman Group, Inc.

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TABLE 24
GENERAL CHARACTERISTICS
SELECTED RENTAL PROPERTIES
SAGINAW, MICHIGAN

	Property	Unit Type	High Rent	Low Rent	High SqFt	Low SqFt	High Price SqFt	Low Price SqFt	# of Units	Occupancy	Year Built
1.)	Crossing at Buena Vista I+II 3670 Hess Avenue Saginaw, MI	One Bedroom	\$471	\$347	795	719	\$0.59	\$0.48	240	93.0%	
		Two Bedroom	\$609	\$413	992	916	\$0.61	\$0.45			
		Three Bedroom	\$699	\$471	1,241	1,165	\$0.56	\$0.40			
2.)	Normandy Square Apts 5095 Bennington Saginaw, MI	One Bedroom	\$615	\$540	650	625	\$0.95	\$0.86	283	98.0%	1968
		Two Bedroom	\$659	\$639	1,010	950	\$0.65	\$0.67			
		Three Bedroom	\$679	\$659	1,150	1,010	\$0.59	\$0.65			
3.)	Castle Way Apts 5955 Weiss Road Saginaw, MI	One Bedroom	\$639	\$599	942	754	\$0.79	\$0.68	224	90.0%	1989
		Two Bedroom	\$749	\$619	1,252	890	\$0.70	\$0.60			
4.)	Green Acres Village Apts 4545 Colonial Drive Saginaw, MI	One Bedroom	\$680	\$600	784	754	\$0.87	\$0.80	260	93.0%	1965
		Two Bedroom	\$775	\$690	902	800	\$0.86	\$0.86			
5.)	Camelot Place Apts 141 Camelot Drive Saginaw, MI	One Bedroom	\$615	\$529	760	664	\$0.81	\$0.80	282	95.0%	1972
		Two Bedroom	\$680	\$615	1,044	928	\$0.66	\$0.65			
		Three Bedroom	\$785	\$750	1,160	1,160	\$0.68	\$0.65			
		Totals:	\$785	\$347	1,252	625	\$0.95	\$0.40			

Source: Field survey performed by The Weitzman Group, Inc.

for a one bedroom, only available on the Garden Level, is \$450 per unit per month for a 525 square foot unit, or \$0.86 per square foot per month. The asking rent for a two-bedroom unit ranges from \$510 to \$525 per unit per month for a 650 square foot unit, or \$0.78 to \$0.81 per square foot per month. The property is 97% occupied. Village Square offers residents a covered carport, a small storage unit, laundry facilities on the Garden level, and the use of the clubhouse and swimming pool. The property was built in 1965.

Huntington Place is located approximately two and a half miles east of the site at 837 North Scheurmann Road in Essexville, Michigan. The property contains five, two story brick buildings with 211 units comprised of efficiency, one and two bedroom units. The asking rent for an efficiency is \$320 per unit per month for a 425 square foot unit, or \$0.75 per square foot per month. The asking rent for a one-bedroom unit ranges from \$390 to \$410 per unit per month for a 520 square foot unit, or \$0.79 to \$0.75 per square foot per month. The asking rent for a two-bedroom unit ranges from \$485 to \$499 per unit per month for a 620 square foot unit, or \$0.78 to \$0.80 per square foot per month. The property is 97% occupied and was constructed in 1978. Residents have access to the swimming pool, new carpeting in the units upon turnover, laundry facilities in the basement and a private balcony. There have not been any major renovations to the units since the property was constructed.

East Bay Village is located approximately two and a half miles east of the subject property at 1877 W. East Bay Parkway in Essexville, Michigan. The property is a low-rise, two story brick building consisting of apartments and townhouses. The property has significantly larger units as compared to the other comparables. The asking rent for a one bedroom is \$549 to \$569 per unit per month for a 770 square foot unit, or \$0.74 to \$0.71 per square foot per month. The asking rent for a two-bedroom unit ranges from \$599 to \$609 per unit per month for a 920 square foot unit, or \$0.65 to \$0.66 per square foot per month. The rent for a two or three bedroom townhouse ranges from \$734 to \$794 per month, respectively. The size of the two bedroom units is 1,020 square feet and that of the three bedroom units is 1,100 square feet, reflecting a rent of \$0.72 square feet per month. The property was constructed in 1973 and it includes 208 units. It is 95% occupied with no townhouses available until Spring 2004. East Bay Village offers one month free off of a 13 month lease and boasts the largest heated pool in Bay County. The townhouses have their own washer and dryers, while the apartments share common laundry facilities in the basement of the buildings.

Waldo Avenue Townhouses are located approximately seventeen miles west of the site on the corner of Waldo Avenue and Eastlawn Drive in Midland, Michigan. The property has ten, two story buildings containing a total of 20 units. The property was built in 1998; the quality of the units is good. The townhouses offer two car garages, washer and dryers, full basement, private deck overlooking the woods, new appliances, and lawn and snow maintenance. The asking rent for these three bedroom units is \$925 per unit per month for a 1,267 square foot unit, or \$0.73 per square foot per month. These are among the most expensive rental units in the market. The property is currently 70% occupied.

Wheeler Street Townhouses are located approximately nineteen miles west of the site at 1325-1331 Wheeler Street in Midland, Michigan. The property has only four units. The property was built in 1998 and is the most recent rental property to be completed in the metropolitan area. The Wheeler Street Townhouses were developed by the same company that completed the Waldo Avenue townhouses; the units at both properties are identical. The townhouses offer two car garages, washer and dryers, full basement, private deck overlooking the woods, new appliances, and lawn and snow maintenance. The asking rent for these three bedroom units is \$925 per unit

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per month for a 1,267 square foot unit, or \$0.73 per square foot per month. The property is currently 75% occupied with one unit available.

Birchwood Pointes Apartments are located approximately nineteen and a half miles west of the site at 1500 Wood Pointe Lane in Midland, Michigan. The property contains 130 units comprised of one, two and three bedroom units. The property has larger sized units as compared to the other rental comparables. It is marketed as luxury apartments. The asking rent for a one-bedroom unit ranges from \$769 to \$809 per unit per month for a 927 to 1,018 square foot unit, or \$0.83 to \$0.79 per square foot per month, respectively. The asking rent for a two-bedroom unit ranges from \$779 to \$919 per unit per month for a 1,000 to 1,220 square foot unit, or \$0.78 to \$0.75 per square foot per month. The asking rent for a three-bedroom unit ranges from \$969 to \$1,009 per unit per month for a 1,240 to 1,300 square foot unit, or \$0.78 per square foot per month. The property is 88% occupied and was constructed in 1991. Residents have access to the clubhouse which has an indoor swimming pool, fitness center, and Jacuzzi, washer and dryer in the units, one car garages, and all major appliances.

With the exception of the rental properties in Midland, the majority of the rental product in the market is older and is of average quality. The rental market is price sensitive at the very upper end of the ranges between \$900 to \$1,000; this is partially due to the income levels of households in the market as well as the fact that rents at this level approach the monthly mortgage payment of an entry-level single family home.

SUMMARY

There is a void in this market for quality rental product that would be targeted to one and two person professional households, particularly in downtown Bay City. In our opinion, quality rental housing would appeal to both students and faculty of the academic community as well as to young professionals moving into this market as a result of a job transfer from one of the major employers. During our interviews, the lack of quality rental housing was mentioned as a factor making it difficult to attract young professionals to this market.

HOUSING DEMAND ANALYSIS

The demand for housing is related to three economic and demographic variables: (1) household growth; (2) internal household mobility; and (3) household income. These variables were analyzed for Bay City and the Saginaw, Bay City, Midland MSA.

The number of households is not growing in Bay City; they are growing modestly in the metropolitan area; the household base of the market could best be described as stable. The absence of household growth adds a higher level of risk to any major new housing initiative in a market, because the sole source of demand comes only from households moving in and out of the market or those moving within the market itself. The addition of new housing stock in a market, beyond what is needed to replace homes that are demolished or those that become physically obsolete, will ultimately create an oversupply of housing in such a market over time.

The metropolitan area has been adding 1,100 to 1,200 new dwelling units per year to the housing stock during a period of time that the household base has not been growing. Over time, this will create an oversupply of housing in the market which adversely affects price appreciation and absorption. Evidence of an oversupply may already be present in this metropolitan area, because

absorption of new product is slow. In addition, resale product sits on the market for an extended period of time before a sale is consummated.

Notwithstanding this observation, development opportunities *can* exist in a market that is not sustaining household growth. Capitalizing on these opportunities is accomplished by identifying voids which may exist in the housing market, i.e. a housing product may not exist in the market that would appeal to a certain segment of households in the metropolitan area. An example of such an opportunity would be the new luxury condominiums that are being developed along the riverfront in Bay City. Despite the absence of household growth, the development community identified a “void” in the market for upscale condominium residences that would appeal to affluent empty nesters. Although these homes sell at a relatively slow pace, the development community considers these initiatives a success and they are continuing to build new product for this segment of the market.

During the course of our research, it became evident that another void for housing exists in this market, i.e. condominium housing priced below \$400,000 that would appeal to young single and two-person households who desire an urban environment lifestyle. We also believe a void exists for moderately priced condominium housing for middle-income empty nesters. The absence is most notable in urban settings such as downtown Bay City. Throughout metropolitan areas in the United States, young households and empty nesters are returning to the cities and urban cores to be close to the cultural and entertainment base of the market

In order to evaluate the depth of the market for moderately-priced condominium housing, we prepared a housing demand analysis. The primary market includes the three county Saginaw, Bay City, Midland MSA. Our research indicated that there is not sufficient depth in the market from households in Bay City, or Bay County to support even a modest housing initiative on the Uptown at River’s Edge property. The market area for any development opportunity has to be targeted to households in the *entire* metropolitan area.

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TABLE 26
HOUSING DEMAND ANALYSIS
SAGINAW, BAY CITY, MIDLAND MSA
2003-2008

<u>Income Range</u>	<u>Number of Households</u>
\$50,000 - \$74,999	29493
\$75,000 - \$99,999	17938
\$100,000+	<u>22632</u>
Total	70063
Internal Mobility at 5.0%	3500
Household Growth	<u>350</u>
Total	3850
Total Units Sections 1A + 1B	75
Capture Rate of Total Demand	1.90%
Capture Rate Assuming an Annual Absorption of 25 Units	0.60%

Source: Compiled by The Weitzman Group, Inc.

The target market for modestly priced condominium housing would be generated by households aged between 25 and 35, and to a lesser degree from households in the 35 to 45 year old age bracket. Within these age groups, the target household income would be from \$35,000 to \$49,000 and from \$50,000 to \$74,999. The first income group would qualify for housing priced from \$150,000 to \$200,000 while those earning in the second income class can afford housing up to \$300,000. As stated in the previous section, new housing in downtown Bay City starts at \$400,000. In our opinion, the void in this market is for downtown condominium housing priced from \$125,000 to \$200,000. However, our analysis indicates that it is not financially feasible to develop housing downtown in this price range and therefore it is not recommended in the first phase of development.

The target market for new downtown housing is limited to those households earning in excess of \$50,000 per year. The following first phase housing program is recommended because it is marketable and feasible. Secondly, although this program does not fill the void for housing priced below \$200,000, it does address the void for waterfront housing in the \$200,000 to \$300,000 price range. In fact, the recommended program includes two sections; the first section would

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include townhouses priced from \$236,000 to \$322,000 and would appeal to households earning in excess of \$60,000. The market would include one and two person household with dual incomes and no children. The second section would appeal to empty nesters earning above \$75,000 and would provide a more affordable alternative to current luxury product which is being marketed in downtown Bay City. Assuming a first phase plan of 75 units, the capture rate of total demand is approximately 2.0% which is reasonable and achievable. We project that approximately 25 of these units could be sold annually.

Section 1A

Unit Type	Unit Mix	Unit Size	Unit Price Per SqFt	Sales Price
1 BR / 1 BA	25.0%	875	\$270	\$236,250
1 BR /D/ 1.5 BA	35.0%	1,000	\$260	\$260,000
2 BR / 2 BA	25.0%	1,100	\$255	\$280,500
2 BR /D/ 2 BA	10.0%	1,175	\$253	\$297,275
2 BR /D/ 2.5 BA	5.0%	1,300	\$248	<u>\$322,400</u>
			Average	\$266,035

Section 1B

Unit Type	Unit Mix	Unit Size	Unit Price Per SqFt	Sales Price
2 BR / 2 BA	50.0%	1,250	\$250	\$312,500
2 BR /D/ 2.5 BA	50.0%	1,450	\$235	\$340,750
			Average	\$326,221

Source: Compiled by The Weitzman Group, Inc.

In summary, the market can support a modest housing program on the Uptown at River Edge property; it would consist entirely of condominium housing. Rental housing is not feasible to construct at the present time.

- COMMERCIAL MARKET ANALYSIS -

THE OFFICE MARKET

The demand for office space in a market is based on three economic variables: (1) total employment growth; (2) the growth of office using employment; and (3) the office space per employee ratio. The economic analysis, which was presented in a previous section, indicated that total employment in the metropolitan area has been declining since 1980. Furthermore, employment in the key office using employment sectors of Finance, Insurance, and Real Estate, and Services has sustained little to no growth in this market. The economic outlook for the metropolitan area is that the employment base will continue to decline slightly before it stabilizes. There is no economic forecast indicating that this metropolitan area will sustain significant employment growth over the foreseeable future. Thus, we are not recommending the development of speculative office space on the property. There is no market for this type of development, particularly in downtown Bay City. The majority of office space that has been developed in the metropolitan area is located outside the central cities as evidenced by the high concentration of office space near the Fashion Square Mall.

A recommendation that was forthcoming from the economic analysis was that the City should initiate a comprehensive program to bring jobs to Bay City. Employment growth in the city will have a very positive influence on population growth, housing demand, and retail sales. The Uptown at River's Edge property would be an ideal location for an owner-user commercial establishment; the site is conveniently accessible to major destinations and it offers a high degree of visibility. It is close to support services (i.e. hotels, restaurants, and business services) and its location on the river would be considered desirable by many prospective users. As a result, it would be prudent to allocate a portion of the property for an owner/user commercial establishment. Obviously, this would not occur during the initial phases of development; it could take several years before a prospective user could be found. Nevertheless, the fact that the City has this site under its control is a powerful marketing tool to attract prospective business enterprises to Bay City.

We strongly recommend that the City market the northern portion of the site to academic institutions throughout the state for use as a satellite campus. Again, throughout the country, academic institutions are expanding outside the boundaries of their campuses to broaden enrollment and exposure in the marketplace. The Uptown at River's Edge property would be an outstanding location for such an institution because of its urban presence and its high degree of visibility. Colleges and universities have become a major economic driver and a source of revitalization in urban areas throughout the country. Universities partner and collaborate with the corporate community on a wide range of initiatives; thus, they have become an "export" industry for many cities in that they bring fresh money into urban areas. Again, this is a clear example as to how to attract new employment into the city despite the fact there may be no overall job growth in the metropolitan area. Again, job growth is the key economic driver influencing housing demand and job growth will enhance the long term demand for housing on the Uptown at River's Edge site.

THE RETAIL MARKET

Retail development on the Uptown at River's Edge property must be carefully evaluated so as not to have an adverse impact on the retail merchants in downtown Bay City. As stated previously, our research indicates that there is sufficient underlying demand to support a modest initiative of condominium housing on the property. In order for this program to be successful, a small amount

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of support retail must be incorporated into the housing plan due to the absence of nearby services. For example, it would be prudent to provide space for selected store groups such as a convenience store, dry cleaners, and a small eating establishment with take-out food service. In total, the amount of space allocated to support retail should not exceed 10,000 to 12,000 square feet. The Monarch building would be ideally suited for a restaurant. The City may want to consider selling this building to a user, if the opportunity presents itself.

During the visioning sessions, a number of participants noted that they would like to see an authentic farmers' market developed on the site. The farmers' market would sell fresh organic produce, meat, poultry, and fish, as well as a variety of specialty goods. Many other community members noted that they would like to have family entertainment venues developed on the property.

Members of the community expressed disappointment with the existing farmer's market in Bay City; many felt that it had become nothing more than a flea market. Other members of the community expressed frustration that there was not one place in the metropolitan area to buy fresh fish.

The Weitzman Group, Inc. believes there is merit to considering an authentic farmer's market concept on the Uptown at River's Edge property. However, in and of itself, a farmer's market will not be able to attract broad regional support, because there are so many other competitive farmer's markets located throughout the region. However, a farmer's market could be part of a larger mixed-use specialty retail and family entertainment center that would become the *signature* development project on the Uptown at Rivers Edge property.

In order to evaluate if sufficient retail sales potential exists to support a specialty retail and entertainment center on the site, we prepared a retail demand analysis which is presented in Table 27. The trade area for the specialty retail component was assumed to be Bay County. This is a conservative assumption because, if marketed and designed properly, this marketplace concept could attract households from all three counties in the metropolitan area. Nevertheless, we wanted to ensure that such a retail use would be marketable assuming it would only draw customer support from Bay County. The analysis indicates there is sufficient market demand to support a 50,000 square foot specialty retail market. Assuming the market would need to generate \$300 per square foot in sales in order to be financially feasible, it would need to capture only 5.5% of the total retail sales potential from residents of the trade area. In our opinion, this capture rate is both marketable and achievable. If the required volume for feasibility is \$400 per square foot, the capture rate would rise to only 7.4% which is achievable and within the parameters of reasonable market risk.

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TABLE 27
RETAIL SALES POTENTIAL
BAY COUNTY, MICHIGAN
2003

Total Households		44,510
Average Household Income		\$54,913
Total Disposable Personal Income		\$2,444,177,630
Disposable Personal Income		\$2,004,225,656
Percent of DPI "Channeled" into Retail Sales		\$1,503,169,242
Percent of Retail Sales Channeled into Food Store Groups		\$270,570,463
	\$100 Per SqFt	\$5,000,000
50,000 SqFt GLA at Sales of	\$200 Per SqFt	\$10,000,000
	\$300 Per SqFt	\$15,000,000
	\$100 Per SqFt	1.80%
Capture Rate: Retail Sales of	\$200 Per SqFt	3.70%
	\$300 Per SqFt	5.50%

Source: Estimates by The Weitzman Group, Inc.

The Foundry Marketplace at Bay City

The Uptown at River's Edge site needs a "brand" -- one that will distinguish this development initiative from others throughout the region and the State of Michigan. We strongly believe that the core development concept of the site must be unique to Bay City. We are recommending an exciting urban specialty retail and entertainment center on the site. It will be focal point of the community and certainly the signature development on this property; it will be identified as the *Foundry Marketplace at Bay City*.

The *Foundry Marketplace at Bay City* will be a hybrid use combining the best elements of a traditional farmer's market, a specialty retail center, family entertainment, dining, and education. It combines concepts found at the Mall of America, and successful urban destination centers such as Pike's Place Market in Seattle, The Ferry Building in San Francisco, St. Louis Union Station, Stew Leonard's (the specialty supermarket in Norwalk, Connecticut), and the new life style shopping centers which are being developed across the United States today. It will be the focal point of this new community where residents and visitors can seek entertainment, shop, dine, and

socialize. It will attract visitors from throughout the metropolitan area and will enhance the flow of tourists into Bay City.

The *Foundry Marketplace at Bay City* should be located on the water in the existing Foundry building. The building may have to be enlarged to a certain degree to accommodate the range of uses proposed for this complex. The main attraction in the building will be a ground floor miniature amusement park similar in concept to Camp Snoopy in the Mall of America in Minneapolis. The park will provide a great source of family entertainment; for both children and young adults. It will act an anchor or “magnet” that attracts families from a wide trade area.

The amusement park should occupy the ground level and the middle “atrium” of the building. The balance of the building should be devoted to a variety of uses that are located on different tiers of the building. These uses would include but be limited to the following:

- Traditional stalls found in a farmer’s market with vendors selling fresh produce;
- An organic food station;
- An old fashion dairy mart that incorporates an outdoor petting zoo;
- A fresh fish market (where the fish is served at the on site restaurants);
- Artisan Products – Cheese, homemade pies, honey, etc.;
- A station devoted to hand made items such as table cloths, apparel, embroidery, etc.;
- A craft station;
- Outdoor Hunting, Boating, and Fishing Station;
- A fine dining restaurant on the water;
- Casual dining establishments with a raw bar and evening entertainment; and
- Education (“How to” instructional classes on pottery, cooking, arts and crafts, etc.)

The *Foundry Marketplace at Bay City* should be marketed as a urban experience, one that combines family entertainment, shopping and dining under one roof. Careful attention was paid to the types of recommended uses in the *Foundry Marketplace at Bay City* in that we did not want to introduce venues that would compete with downtown merchants. The *Foundry Marketplace at Bay City* must be enclosed so as to attract visitors throughout the year. The intent is to create a exciting “bizarre” atmosphere along the waterfront. The success of the *Foundry Marketplace at Bay City* will depend on how well the project is executed and on attracting an experienced operator. The *Foundry Marketplace at Bay City* will also complement the new Doubletree Hotel and Conference Center in that it will provide a close by tourist destination for visiting guests.

As stated above, the proposed *Foundry Marketplace at Bay City* will include the best elements of a traditional farmers market, specialty retail centers such as the Pike Place Market in Seattle, and indoor amusements such as Camp Snoopy at the Mall of America, although on a much smaller scale.

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The Pike Place Market is located in Seattle, Washington and is an example of an adaptive reuse project. Originally opened in 1907, it was privately owned until 1971 when ownership was handed over to the public. The site is designated as an historic district. This designation carries certain restrictions as to the type of tenants allowed. For instance, there are no chain stores allowed to open in the market. The market covers 392,020 square feet, or nine acres. The market attracts nearly nine million visitors per year and hosts almost 80,000 people every weekend during the summer months. The component uses of the market include food (bakeries, dairy, seafood, produce stands, meats), dining (a variety of restaurants and cafes), and mercantile (specialty stores). The gross retail sales for 2002 totaled nearly \$62 million with the food sector reporting sales of \$30.1 million, the dining sector totaling \$18.6 million, and the mercantile sector totaling \$13.2 million. According to management, the tenants with liquor licenses do the most business, followed by the large fresh-fish markets.

Rents at the market range from \$5.00 to \$40.00 per square foot depending on the size and location of the space. The tenants are responsible for the base rents, plus CAM (Common Area Maintenance). The size of the currently vacant space ranges from less than 100 square feet to over 3,000 square feet. A typical lease term for new tenants is one year with a two year option.

The Ferry Building Marketplace is located in San Francisco and is another example of an adaptive reuse project on the waterfront. Originally built in 1898, the Ferry Building served as a terminal for the regional ferry system and railroad that handled nearly 100,000 people per day. With the construction of the Golden Gate and Bay Bridges in the late 1930's, the Ferry building was no longer a major transportation hub and was subsequently neglected. In 1998, an effort was started to rehabilitate the Ferry building and, in April 2003, after four years of renovations, the Ferry building was reopened to the public.

The Ferry building houses 65,000 square feet of retail space as well as 175,000 square feet of Class A office space. The marketplace attracts nearly 9 million visitors per year and hosts almost 80,000 people every weekend during the summer months. The component uses of the market are food (bakeries, dairy, seafood, produce stands, meats), dining (all restaurants and cafes), and a farmers market. The farmers market attracts 10,000-15,000 visitors every Saturday.

Retail rents at the Ferry building range from \$24.00 to \$94.00 per square foot per month depending on the size and location of the space. The tenants are responsible for the base rents, plus CAM (Common Area Maintenance). A typical lease term for new tenants is one to five years with a two year option. The Ferry building's retail space is 94.0% occupied.

The number of farmers markets in the United States has grown from 1,755 in 1994 to 3,137 in 2002, representing a 79.0% increase; obviously they have become very popular. According to the Agriculture Marketing Service of Michigan there are currently sixty-eight farmers markets in Michigan, or slightly more than 2.0% of all farmers markets in the United States. Of these sixty eight, only six are open year-round, while the remaining sixty-two are seasonal, open-air markets. The year round markets are a mixture of fully enclosed structures and partially enclosed structures, which have outdoor stalls for rent.

The Ann Arbor Farmers Market is located at 315 Detroit Street in Ann Arbor, Michigan. The market is strictly a growers market and has 87 stalls that are owned by annual vendors. The market is predominantly open, but there are roofs covering the stalls. Rents at the market range from \$10.00 to \$25.00 per square foot depending on the location of the stall. The size of the stalls are approximately 40 square feet. Although it is a year-round market, the market only operates on Wednesdays and Saturdays.

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FERRY BUILDING
SAN FRANCISCO, CA

The Eastern Market in Detroit is located at 2934 Russell Street in Detroit, Michigan. The market has been in operation since 1892 and was declared a historic district in 1977 by the State of Michigan. The market is spread over 43 acres and offers fruit, vegetables, meat, seafood, flowers and retail. The market leases sheds which have stalls that are 7 feet by 12 feet. The rents, depending on location, range from \$1,400 to \$2,800 and the spaces are leased only on an annual basis. The market is open to farmers on the weekdays, during which time they may sell their goods wholesale. The market is only open to the retail market on Saturday.

The Flint Farmer's Market is located at the intersection of East Boulevard Drive and Longway Boulevard in Downtown Flint, Michigan. The market has thirty-seven vendors of which ten are inside, while the remaining twenty-seven populate the outdoor market. The market is open year-round on Tuesdays, Thursdays, and Saturdays. The market offers meat, fish, poultry, flowers, baked goods, live music, fruits and vegetables. Rents at the Flint Farmer's Market range from \$12.00 to \$18.00 per square foot depending on the size and location of the stall.

The Lansing City Market is located at 333 North Cedar in Lansing, Michigan. The market has been at its current location for sixty-three years. The market is both an indoor and outdoor market which currently has thirteen vendors. The market vendors offer meats, breads, cheese, and seafood, as well as other products. The stalls are leased on a daily, monthly, or yearly basis and the rents are determined by the length of stay. Rents for one week range from \$30.00 to \$40.00 depending on location and size of the stall. Rents for a one month stay are a flat fee of \$120.00 while a month to month rent is \$75.00. If the vendor signs an annual lease, the rent is \$60.00 per month, or \$720.00 per year. The size of the stalls on average are 8 feet by 9 ½ feet.

The Royal Oak Farmers Market is located at 316 East 11 Mile Road in Royal Oak, Michigan. The market opened in 1927 and was owned by the City of Royal Oak and Oakland County, Michigan, but it has been solely owned and operated by the City of Royal Oak since 1997. The leases for the stalls are determined by the length of stay. Rents for a five month period range from \$600-\$1,000 and are available only on weekdays, with an extra charge placed on premium stalls. The fixed spaces (those with walls) are leased for \$2,200 annually while the largest spaces and snack bars are \$3,500 plus utilities.

Farmer's markets have been growing significantly in the United States over the past ten years. The average rents for farmer's markets in Michigan range from \$10.00 per square foot per year, for smaller sized stalls or booth, to \$20.00 per square foot per year for the larger, premium spaces.

The proposed indoor amusement center will be an important component of the *Foundry Marketplace at Bay City*. Although it will be much smaller in size, it will be similar in concept to Camp Snoopy located in the Mall of America in Bloomington, Minnesota. Camp Snoopy, the largest indoor family theme park, opened in August 1992. The Mall of America attracts from 600,000 to 900,000 visitors per week; Camp Snoopy attracted nearly 49 million visitors in 2003, which exceeds the number of visitors to Disneyland and the Grand Canyon combined.

Camp Snoopy covers nearly seven acres, or 305,500 square feet inside the Mall of America. There are twenty-six rides, six shops and nine restaurants. Of the twenty-six rides, there are five thrill rides, nine "kiddie" rides, and seven family favorites, including a log ride which holds 277,000 gallons of water, and a Ferris Wheel, and five other amusements. The shops at Camp Snoopy include a General Store, a Northwoods Outfitter store, a toy store and other "Snoopy" themed stores. The restaurants include a steakhouse, food court and a sports bar.



CAMP SNOOPY



CAMP SNOOPY



PIKE PLACE MARKET
SEATTLE, WA

Obviously, the indoor amusement center proposed at the *Foundry Marketplace at Bay City* will be much smaller in size given that the footprint of the building is 50,000 square feet. Nevertheless, the building has high ceilings that will accommodate different types of rides and amusements. It is envisioned that the stalls for the farmer's market as well as the fish and meat market will be located along the sides of the building as well as on a new upper floor that will overlook the entertainment center. The restaurants will be situated on the west side of the building, so that they will overlook the water. We anticipate that the developer will provide the "stalls" for the farmer's markets and provide a "vanilla box" for the remaining retailers.

The market rents for the space will have to average just above \$16.00 per square foot in order to make the project feasible; this projected rent assumes that City will provide a tax abatement. Assuming a cost of occupancy ratio in the range of 12.0% to 15.0%, the sales volume at the *Foundry Marketplace at Bay City* would have to range from \$125.00 to \$160.00 per square foot. In our opinion, this required sales volume is reasonable and achievable; actual sales should exceed this level.

- DEVELOPMENT RECOMMENDATIONS -

THE RECOMMENDED DEVELOPMENT PLAN

In developing the plan for the Uptown at River's Edge site, we took into consideration many of the objectives and observations that were presented to us by members of the Bay City community. These are summarized below:

- To create a market-driven concept plan for the site;
- To create a new neighborhood in Bay City where residents can live, work, socialize, and recreate;
- To create a plan which is sustainable with underlying demand throughout the year;
- To create a plan that capitalizes on the rich history of Bay City;
- To create land uses that will ultimately enhance the tax base of the City;
- To create a unique destination that will draw visitors from the entire state of Michigan;
- To create a plan wherein the potential may exist to convert the existing structures on the site to an alternative use; and
- To create a plan which complements and enhances adjacent neighborhoods, particularly the downtown area and the Columbus Avenue CDC.

The Development Concept

The Uptown at Rivers Edge property should be developed into an exciting master-planned community that incorporates a mix of residential, commercial, specialty retail, and destination entertainment uses. The goal is to create a vibrant urban waterfront neighborhood in Bay City. The focal point of this new community will be the "*Foundry Marketplace at Bay City*". The concept behind the *Foundry Marketplace at Bay City* is to create a thriving urban bazaar on the site, where workers, families, and tourists can shop, learn, dine, socialize, and be entertained. The existing Foundry building is centrally located on the waterfront, perpendicular to the Saginaw River. We recommend that the existing Foundry building be converted into a retail and entertainment venue. This concept is the "development theme" for the Uptown at River's Edge site. It will be the *signature* development on the site, one that will have a high level of identity and recognition from visitors and residents entering Bay City from the Veterans Bridge. A docking facility that can accommodate cruise ships should be situated at the western entrance to the Foundry building. Thus, the *Foundry Marketplace at Bay City* will serve and be marketed as a major tourist destination. While many of the building's original features should be retained, it is envisioned that the side walls will be replaced with glass, so that the indoor activity is clearly visible from the outdoors. In the evening, the building will "light up" downtown Bay City and become a beacon for residents, visitors, and tourists. The *Foundry Marketplace at Bay City* will be designed to include a wide range of specialty retail, organic and fresh produce, a fish market, family entertainment venues, waterfront dining, a petting zoo, and an indoor amusement park, among other uses.

The second major component of this new neighborhood should be housing. The objective is to provide a variety of housing types at different price points so as to attract a broad cross section of residents to this new neighborhood. Housing is vital to the long-term development of this site, because people are the life source of a downtown community. New residents will provide the energy and spending power to transform the City from simply a place to work into a vibrant twelve hour city.

The marketing strategy is to sell off improved building sites to residential and commercial developers. This will require the City to act in the capacity of the master developer, wherein the City will provide the infrastructure (including piling where necessary), utilities, and environmental clean-up of the development parcels. However the City may elect to use one or more programs whereby the developer could be reimbursed for the cost of infrastructure; one such program would be Tax Increment Financing. Although the sites will be sold, the City must maintain control over the development process. The enactment of strict zoning ordinances together with reasonable CCR's³ will enable the City to maintain control over the first and future phases of development of the site.

We do not recommend that the City enter into ground lease arrangements with developers. First, this strategy may eliminate certain developers from responding to the RFP. Second, ground leases will complicate the process of obtaining construction and permanent financing. Third, state law typically prohibits the development of condominium housing on leased land. Fourth, it could adversely impact the sale of the units to homebuyers who simply are adverse to this ownership structure.

As discussed below, the development proposed for the first phase will utilize a small portion of the site; it may require up to three to four years before the initial phase of housing is built and occupied and until the retail component achieves stabilized occupancy. As previously stated, the economic base of this market will not support rapid development of the Uptown at River's Edge property. As a result, a very defined site plan (i.e. showing specific zoning overlays together with covenants, controls, and restrictions) should be prepared for the first phase of development, however, the plan for subsequent phases must be very flexible, so that the future plan can evolve and change with the overall market changes.

PHASE ONE

Housing

The results of our research indicate that there is a void in the Bay City housing market for : (1) condominium housing priced below \$400,000 that would appeal to one and two-person households aged between 25 and 44 years; and (3) condominium housing targeted to middle-income empty nesters.

The first target market for condominium housing would include young one and two-person households that are employed in a professional capacity. These households are drawn to urban environments, because they want to be close to the entertainment and cultural base of the metropolitan area. Modestly priced condominiums would also appeal to the faculty and students of the academic community. Our originally recommended price range for this phase of condominium development was from \$123,000 to \$175,000. However, the feasibility analysis indicates that it is not feasible to develop condominium housing at this price point; the return on

³ Covenant Controls Restrictions

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investment on simply too low to attract investment capital. The feasibility analysis did indicate that more upscale condominium housing could be marketed for an average of \$267,000, and that such a program would be feasible.

The second phase of condominium housing should be targeted to middle-income empty nesters. The originally recommended price point for those condominiums was from \$190,000 to \$210,000. These would be larger units and would incorporate more attractive product features and finishes. Our analysis indicates that it is not feasible to develop condominium housing within this price range. However, if units that were more upscale could be marketed at an average price of \$324,000, such a program would be feasible. In our opinion, there is sufficient depth to the market to support housing programs with average sales prices of \$266,000 and \$326,000, respectively. Such housing would achieve the objective of broadening the demographic mix of households downtown by providing an alternative to the luxury product that is being marketed at \$400,000 and higher to the north of the site.

The first phase of development should include approximately 40 condominiums that will sell on average for \$266,000 followed by second section of another 35 units that will be targeted to middle and upper income empty nesters. Convenience retail space of approximately 10,000 to 12,000 square feet will have to be incorporated into the first phase in order to enhance the marketability of the housing initiative.

The first phase of housing should be located in the southern portion of the site. The recommended housing program for the first phase of development is presented in Table 1 which follows:

Section 1A

Unit Type	Unit Mix	Unit Size	Unit Price Per SqFt	Sales Price
1 BR / 1 BA	25.0%	875	\$270	\$236,250
1 BR /D/ 1.5 BA	35.0%	1,000	\$260	\$260,000
2 BR / 2 BA	25.0%	1,100	\$255	\$280,500
2 BR /D/ 2 BA	10.0%	1,175	\$253	\$297,275
2 BR /D/ 2.5 BA	5.0%	1,300	\$248	\$322,400
Average				\$266,035

Section 1B

Unit Type	Unit Mix	Unit Size	Unit Price Per SqFt	Sales Price
2 BR / 2 BA	50.0%	1,250	\$250	\$312,500
2 BR /D/ 2.5 BA	50.0%	1,450	\$235	\$340,750
Average				\$326,221

Source: Compiled by The Weitzman Group, Inc.

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The first phase of condominium units should be targeted to one and two-person professional households with no children. The condominiums should have an innovative townhome design. The unit mix should include two-bedroom units. These homes are projected to sell at a pace of two units per month.

The product features and amenities required to achieve the recommended price points are outlined below:

- Wall-to-wall carpeting in the living room, dining room, and bedrooms;
- Ceramic tile flooring in the kitchen and bathrooms;
- Central heating and air conditioning;
- 9' ceilings;
- High-quality stone counter tops in the kitchen and baths;
- Wood cabinets in the kitchen;
- Microwave, refrigerator, and range in the kitchen (GE Monogram quality);
- Pantry located off of the kitchen;
- Walk-in closets in all two bedroom units;
- Full-size washer and dryers in the two bedroom units;
- Sliding glass doors off of the balcony;
- Large double pane windows;
- Security system;
- Garage parking for one car;
- Cable and High Speed Internet service.
- Fitness Center

In addition to condominium housing, we are recommending that the *Foundry Marketplace at Bay City* be incorporated into the first phase of the development. Our research indicates that there is sufficient demand to support the development of this complex now. As stated above, it will be the *signature* development on the property and it will set the image for all future phases of development

The Foundry Marketplace at Bay City

The *Foundry Marketplace at Bay City* will be a hybrid use combining the best elements of a traditional farmer's market, a specialty retail center, family entertainment, dining, and education. It should combine concepts found at the Mall of America, and successful urban destination centers such as Pike's Place Market in Seattle, The Ferry Building in San Francisco, St. Louis Union Station, and Stew Leonard's (the specialty supermarket in Norwalk, Connecticut). It will become the focal point of this new community where residents and visitors can seek entertainment, shop, dine, and socialize. It will attract visitors from throughout the metropolitan area and will enhance the flow of tourists into Bay City.

The *Foundry Marketplace at Bay City* should be located on the water in the existing Foundry building. The building may have to be enlarged to a certain degree to accommodate the range of uses proposed for this complex. The main attraction in the building will be a ground floor miniature amusement park similar in concept to Camp Snoopy in the Mall of America in Minneapolis. The park will provide a great source for family entertainment; it should have great appeal to children and young adults. In essence it will be an anchor or "magnet" that attracts families from a wide trade area.

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The amusement park should occupy the ground level and the middle “atrium” of the building. The balance of the building should be devoted to a variety of uses that will be located on different tiers of the building. These uses would include but be limited to the following:

- Traditional stalls found in a farmer’s market with vendors selling fresh produce;
- An organic food station;
- An old fashion dairy mart that incorporates an outdoor petting zoo;
- A fresh fish market (where the fish is also served at the on-site restaurants);
- Artesian Products – Cheese, homemade pies, honey, etc.;
- A station devoted to hand-made items such as table cloths, apparel, embroidery, etc.;
- A craft station;
- Outdoor Hunting, Boating, and Fishing Station;
- A fine dining restaurant on the water;
- Casual dining establishments with a raw bar and evening entertainment;
- Education (“How to” instructional classes on pottery, cooking, arts and crafts, etc.)

The *Foundry Marketplace at Bay City* should be marketed as an urban experience -- one that combines family entertainment, shopping and dining under one roof. Careful attention was paid to the types of recommended uses in the *Foundry Marketplace at Bay City* in that we did not want to introduce venues that would compete with downtown or Columbus Avenue merchants. The *Foundry Marketplace at Bay City* must be enclosed so as to attract visitors throughout the year. The intent is to create an exciting “bazaar” atmosphere along the waterfront. The success of the *Foundry Marketplace at Bay City* will depend on how well the project is executed and on attracting an experienced operator. The *Foundry Marketplace at Bay City* will also complement the new Doubletree Hotel and Conference Center in that it will provide a close-by tourist destination for visiting guests.

It is imperative that the development of the Uptown at River’s Edge site complement and enhance the economic base of downtown Bay City. The introduction of new housing on the site will certainly have a positive impact on downtown merchants. Beyond housing, it is important that a coordinated marketing effort be implemented so that any tourist traffic generated by the *Foundry Marketplace at Bay City* is also directed to the downtown area. This can be accomplished through the use of coordinated marketing literature, signage, trolley shuttles between downtown and the site, and public announcements of events, among other methods. The Uptown at Rivers Edge property should not be developed at the expense of the downtown market, but rather should enhance retail sales by downtown merchants.

FUTURE DEVELOPMENT PHASES

The development of new housing is an important component of revitalizing downtown Bay City. We strongly believe housing should be incorporated into each subsequent phase of development on the site. People are the life source of downtowns throughout the United States. New households bring fresh money into a city and provide the support for the arts, culture, commercial and retail uses.

As previously stated, once the first 75.0% of the condominiums in Phase 1A have been sold, sales and marketing should commence on the subsequent Phase 1B of condominium housing. Alternatively both phases could be marketed simultaneously because they are targeted to two different demographic segments of the market. At this time, we do not foresee the condominiums selling at a pace that exceeds 1 to 2 units per month. This relatively slow absorption pace reflects: (1) the absence of household growth in the market; and (2) the absence of economic drivers in the market to stimulate housing demand.

The success of all future phases of development at the Uptown at River's Edge property will be contingent on ***bringing new jobs*** into or near Bay City. Without job growth, the development of the Uptown at River's Edge site will proceed at a slow pace. Thus, it would be appropriate to allocate land in subsequent phases for office or R&D uses that can be part of a strategic economic development plan to bring new jobs into Bay City. For example, we strongly recommend that the City encourage academic institutions throughout the State to establish a campus in Bay City. Universities today play a very important role in the revitalization of cities throughout the United States. Institutions of higher learning provide an important source of new housing demand stemming from both faculty and students. In addition, these institutions create jobs through their strategic partnerships with the corporate community.

The Uptown at River's Edge site can be transformed into a vibrant new neighborhood in Bay City that will include a wide variety of housing, diverse retail, commercial space and entertainment venues. A major goal for this development is to create the demand for uses that will ultimately expand the tax base of Bay City.

FEASIBILITY ANALYSIS CONCLUSIONS

The methodology used to evaluate the feasibility of each use was to estimate the return on investment to ensure that it was commensurate with the level of development risk inherent in the project. In addition, we processed a series of detailed discounted cash flow analyses that overlay construction and permanent financing so as to measure a developer's return on equity. The assumptions used in the discounted cash flow analysis are presented in the Addenda together with the financial projections. Our conclusions are summarized below:

- Moderately priced condominium housing in the range of \$122,500 to \$210,000 is not feasible to develop on the site. The hard and soft development costs exceed the amount by which one could sell the homes by a very large margin.
- Condominiums selling at an average price of \$267,000 in Section 1A and \$326,000 in Section 1B are feasible to develop on the site assuming the City delivers a finished site to a developer. In other words, the City would be responsible for site preparation costs, utilities, and surface site development. The developer would make a payment to the City for the land and assume all hard and soft costs associated with the construction of the units. Under this scenario, the developer would receive a 20.50% return on its equity

investment, which we believe is sufficient given the development risk associated with this phase of the project.

- The *Foundry Marketplace at Bay City* is feasible to build under the following assumptions; (1) the City may have to assume all site preparation cost, utilities, and surface site development costs; (2), the “all in” hard and soft development costs, plus land, cannot exceed \$136.00 per square foot; and (3) a partial abatement of real estate taxes through the Obsolete Property Rehabilitation Act would be required in order to ensure that the retail rents are competitive in the marketplace. Under these assumptions, the return on equity is projected at approximately 19.21% which we have concluded is sufficient to attract investment capital to this project.

CONCLUSIONS

The Uptown at River’s Edge property has an outstanding location in Bay City and within the Saginaw, Bay City, Midland metropolitan area. The potential exists to create a vibrant new neighborhood that would contribute to the long-term economic vitality of Bay City. Nevertheless, the development process will be challenging given the current economic environment. The development of the site will take place over a considerable period of time. The first phase along could take up to four to five years, before all the condominiums are sold. The development timeframe could certainly be accelerated if the City is successful in its efforts to attract commercial and institutional users to the site. During the course of conducting our research, it was quite apparent that the community leaders are sincerely interested in embracing a plan that will enhance the long term economic outlook of the City. During the initial phases of development, a collaborative effort will be required amongst residents, business and civic leaders, and city government to ensure the successful development of the Uptown at River’s Edge site.

THE DEVELOPMENT PLAN⁴

INTRODUCTION

The preliminary site plan for the Uptown at RiversEdge property has been designed to:

- 1) address issues raised during the visioning sessions and the ULI study; 2) respond to market realities discovered during the preparation of the marketability study; 3) recognize the site constraints and opportunities provided; 4) propose a new direction for this large and important location.

VISIONING SESSIONS

During the three visioning sessions, several themes regarding site design became apparent:

HISTORY

The majority of session participants expressed a strong desire to retain the major existing buildings on the property. They also stressed Bay City’s success in preservation of older homes, the strong presence of the Historical Museum, located near the property, and the potential to link the site’s future to a connection with its past.

⁴ Prepared by Pasanella, Klein, Stolzman & Berg Architects, PC

NATURE

The property's location along the Saginaw River, and the potential for new landscape and river access was seen as a key component for the site's future development.

ACCESS

Access to the property was seen by session participants as important in two ways: 1) connection to Bay City neighborhoods, especially the Columbus Avenue area; 2) connection to the waterfront should remain available to the public, whatever the future use of the property.

RELATIONSHIP TO DOWNTOWN

All of the session speakers noted the importance of the current rejuvenation of Bay City's downtown. It was seen as extremely important that the future of the Uptown at RiversEdge site be complementary both in use and character.

ULI

The representatives from the Urban Land Institute responded to Bay City in a very pointed report that recommended expansion of the study area boundaries, demolition of all structures on the site and simple planting to beautify the area, development of a parking strategy for the area, and development of a job-focused economic plan to attract new businesses and then new residents to Bay City.

The result of the research and planning conducted by the Weitzman Group and PKSB Architects is a different approach to economic development in Bay City. This report and plan predict that the attraction of new residents to Bay City can be realized initially with a new waterfront development that is targeted to specific market groups, and that a new destination development will aid this effort by providing the environment and the amenities that these market group's desire.

MARKET REALITIES

Bay City enjoys an excellent community image in the Tri-Cities metropolitan area. Bay City's emphasis on preservation of a walkable downtown setting with historic buildings, combined with the development of a family destination during the summer months at the RiverWalk, Tall Ships events, and Fireworks displays has led to a sense within the region that Bay City is a wonderful place to visit.

Equally important was the discovery that the housing market for young professionals and empty-nesters in a moderate price range is currently underserved. These market groups would likely be most interested in the environment that a mixed-use waterfront development in Bay City could provide.

The other discovery was that there was a demand for fresh produce, meats and fish, that is not being met. This trend toward a desire for high-quality foods is driving development at waterfronts in unique ways across the country.

SITE CONSTRAINTS & OPPORTUNITIES

The site analysis prepared by PKSB Architects illustrated various ways to approach site planning, concluding that a traditional street and block plan would best allow for incremental development on the site. In addition, the analysis recommended retaining four of the larger existing structures to give the site instant visibility and recognition, along with the creation of new waterfront areas for boat marinas, environmental education, and waterfront access to tour boats and water taxis.

NEW DIRECTION

The recommendations of the Phase 1 work resulted in a focus on developing a preliminary site plan that achieves the following goals:

Given market conditions, prepare a plan for the site that allows for phased development; Provide a new weekend destination for the region that will be: attractive to families, protected from severe weather, and a thematic link to Bay City's maritime and agricultural setting; Provide new housing opportunities for young professionals, first-time buyers and empty-nesters; Allow for *future* development of a new commercial office or institutional campus in close proximity to City Hall and the downtown; Connect the site to Bay City's existing neighborhoods to foster greater access to the Saginaw River, the city's historic life-blood.

PRELIMINARY SITE PLAN CONCEPT

To develop a preliminary site plan for the Uptown at River's Edge property, the methodology involved investigating other large-scale waterfront development projects to determine a balance of land uses along with an approach to site design principles. The projects selected for review shared with the Uptown at River's Edge key project goals: 1) Spur economic development; 2) Attract new visitors; 3) Attract new businesses and residents.

The cities and development initiatives studied by the marketability study were evaluated for their common issues with Bay City as regional destinations. The urban design and development models investigated for this phase of the project provide guidance and inspiration at a more national level to set key planning and design objectives. Projects reviewed included:

Battery Park City in New York, NY;
Cityplace in West Palm Beach, FL
Inner Harbor in Baltimore, MD;
Queensway Bay in Long Beach, CA.

Common elements of all of the site developments that promoted their implementation included adoption of site plans for the waterfront and adjacent upland areas through zoning and/or design guidelines, and public-private partnerships to provide desirable settings for private investment and to initiate cultural facility development.

From a strictly planning perspective, each of the plans relied heavily on: 1) the identification of distinctive districts within the larger development plans; 2) the development of beautifully-designed streets, walkways and plazas or parks to create new addresses and provide clear circulation; 3) the use of cultural facilities as anchors and attractions; and 4) water-related activities or links to waterfront areas as key destinations.

Some differences also emerged from the study: two site plans incorporated significant residential development, while two did not. Three of the plans incorporated aquarium destinations along with convention facilities, while one did not.

The lessons learned from these plans have provided a framework for the preliminary site plan of Uptown at River's Edge. The plan is to include definition of distinctive districts, a variety of streets and blocks, clear circulation strategies, and a diversity of open space types.

PRELIMINARY SITE PLAN ORGANIZATION

NEIGHBORHOOD DISTRICTS

The plan is composed of four new neighborhood districts. Two are extensions of adjoining areas, and two are new attractions centered on new open spaces. Each district has a distinctive gateway into the site that will connect River's Edge to its immediate neighborhoods.

The plan also proposes a new River's Edge Esplanade that will meander along the new development and the Saginaw River to connect the *Foundry Marketplace at Bay City* and new residential development to the City Hall Promenade and downtown Bay City along with an improved Saginaw Street.

PROMENADE CAMPUS

This initiative is primarily a streetscape improvement to link Washington Avenue to the new Esplanade along 10th Street. It will create a new address for future phases of development, and provide an important pedestrian environment to connect with an improved Saginaw Street as the upland connection to the downtown historic district, hotel and conference center.

FOUNDRY MARKETPLACE AT BAY CITY

This new retail district is themed to tie in with the traditional use of waterfronts as markets. Through adaptive re-use, the existing Foundry and Corner Buildings will become the anchors of a vibrant new market and retail center at the River's Edge site. A new all-weather connection between them will provide an exciting icon and viewing platform. New buildings and parking to be developed between Saginaw Street and the new Esplanade will provide additional opportunities for mixed-use and future retail.

COLUMBUS SQUARE

This new civic space will link the Columbus Avenue neighborhood to a new mixed-use enclave centered on the Square. Adaptive re-use of the Kahn building for a mix of uses, and the Corner Building as described above will provide a destination for the Columbus Avenue neighborhood. In addition Columbus Square will provide the gateway to Columbus Cove.

COLUMBUS COVE

A new residential neighborhood will address the desire for additional waterfront and water-related housing in a walkable and urban environment. The housing will focus on a new marina visible from Columbus Street through a sparkling new galleria in the Kahn Building.

STREETS AND BLOCKS

The layout of the site extends existing street and block patterns to connect the site with the remainder of Bay City. The plan also introduces new curvilinear street patterns as the development moves from the downtown and Washington Street toward the waterfront. The subtle gradation of block sizes allows for a variety of development parcel opportunities, both in size and land use. This pattern also allows for new utilities to be constructed using existing rights-of-way.

CIRCULATION

The success of new development at the Uptown at River's Edge property will depend on clear and visible access to the site. From the moment a visitor crosses the Bridge, new signage should direct one to the entry points. In addition to signage however, design cues will be given by the different design characteristics of each element of the site circulation.

GATEWAYS

The major new gateway for the region to River's Edge will be Foundry Place, which will be visible from and accessible to Washington Street, the primary vehicular connector. In addition, new site entrances will be located at City Hall and at Columbus Square. Each gateway leads to a major site connector.

GATEWAY CONNECTIONS

East-West

The major connections linking the city-side of the site to the new districts will be the Galleria, an enclosed all-weather attraction connecting Columbus Square to the *Foundry Marketplace at Bay City*, the Kahn Arcade, a pedestrian oriented and a partially covered path connecting Columbus Square to Columbus Cove around and through the historic Kahn Building; and City Hall Promenade, an extension of existing 10th Street for both cars and pedestrians to link City Hall at Washington Street to the future Campus District.

North-South

Additional city links will be the connection along Saginaw Street, which will tie the Foundry Place gateway to the new Doubletree Hotel and conference center and downtown Bay City to the north, and Columbus Avenue and renovated Water Street to the south; and the River's Edge Esplanade, a new outdoor park path meandering along the Saginaw river waterfront connecting the Riverwalk paths to the north through Foundry Place and on to the Riverwalk path at Breakers Cove. The Esplanade will also provide for emergency vehicle access to development areas close to the waterfront.

Internal vehicular circulation will be distributed along New Water Street, which will extend existing remnants of historic Water Street, and will provide access to the all site parking areas. Parking areas will be screened by buildings or landscaping.

Open Space

The concepts for new open spaces to be provided in this preliminary plan have been developed with the notion that they must differ from those already existing in Bay City. Therefore, they are not sports and recreation focused, but designed for either quiet contemplation of the riverfront in Promenade Park at the end of the City Hall Promenade, or the hustle and bustle of a market square at the Foundry Place and Columbus Square. In addition, the plan envisions two new marinas, one for the residents of Columbus Cove and one for transient boats at Monarch Cove to be located adjacent to *Foundry Marketplace at Bay City* and the Monarch building.

PRELIMINARY SITE PLAN PROGRAM

In developing the preliminary site plan program, the street and block plan has been structured to respond to both the market study recommendations and the community's desires. The two key land uses identified for the property's near-term development are residential of a higher density, and retail destination. To distinguish these uses from redevelopment occurring in the downtown area, the plan proposes housing types that are of a different price point, and retail that is themed for food and waterfront activities, in contrast with the existing shops in the downtown, themed primarily for fine arts and crafts, and mall tenants. Most importantly, the site is divided into parcels that allow for flexible and phased development that is spurred by a first phase of construction that both responds to market demand, and encourages future phases.

The longer-term marketability of the northern portion of the site should be considered as either office or institutional campus type use. This allows for either one or two developers to come into the city, and into an already improved waterfront environment in close proximity to the center of Bay City for both business and government affairs.

CONCLUSION

The preliminary site plan envisions an important role for the Uptown at River's Edge property in Bay City's long term economic life: that of a transformational engine to attract new visitors through an expanded destination season, and new residents to housing not currently provided in the immediate region.

The City's long history as a waterfront of activity, initially through industry and recently through tourism, is a strong magnet. Bay City's identity as a place that takes pride in its historic structures is also a strong draw. Most important is the Bay City tradition of looking ahead – and insisting on new development that adds to Bay City, whether it is new residents, new visitors, and eventually new businesses and institutions.

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PRELIMINARY SITE PLAN PROGRAM
Initial Development Phases 1-3

Residential	# of Units	# of Spaces	SF
Townhouses	80	136	112,000
Flats	144	245	201,600
Parking	<u>0</u>	<u>381</u>	<u>133,350</u>
Subtotal	224	381	446,950
Commercial			
Retail	0	252	84,000
Marketplace	0	150	50,000
Restaurant	0	50	10,000
Foundry Place	0	36	12,000
Entertainment	0	75	25,000
Office	0	176	88,000
Parking	<u>0</u>	<u>739</u>	<u>258,650</u>
Subtotal	0	739	527,650
Mixed Use			
Retail	0	315	105,000
Flats	24	40	33,600
Performing Arts	0	125	13,000
Parking	<u>0</u>	<u>480</u>	<u>168,000</u>
Total	24	480	319,600
Future Development (2 options)			
Campus (low)			
Commercial 1	0	166	83,400
Commercial 2	0	208	104,100
Parking	<u>0</u>	<u>374</u>	<u>130,900</u>
Total	0	374	318,400
Campus (high)			
Commercial 1	0	668	333,600
Commercial 2	0	832	416,400
Parking	<u>0</u>	<u>1500</u>	<u>525,000</u>
Total	0	1500	1,275,000

PRELIMINARY SITE PROGRAM

Preliminary Site Plan Land Allocation

Land Use	<u>Acres</u>	<u>% of site Area</u>
Residential	9.3	21
Commercial	7.4	17
Mixed-use	6.5	15
Future		
Commercial/Institutional	7.7	18
Open space	5.7	13
Streets	<u>6.8</u>	<u>16</u>
Total	43.4	100.0%

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- ADDENDA -

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- DEVELOPMENT PLAN ALTERNATIVES -
PASANELLA + KLEIN STOLZMAN + BERG ARCHITECTS

Addendum #1 to Phase 2 Report

The following documents include responses to the Weitzman Group, Inc. Commissioners and staff at the Public presentation of The Weitzman Group findings relative to the project study.

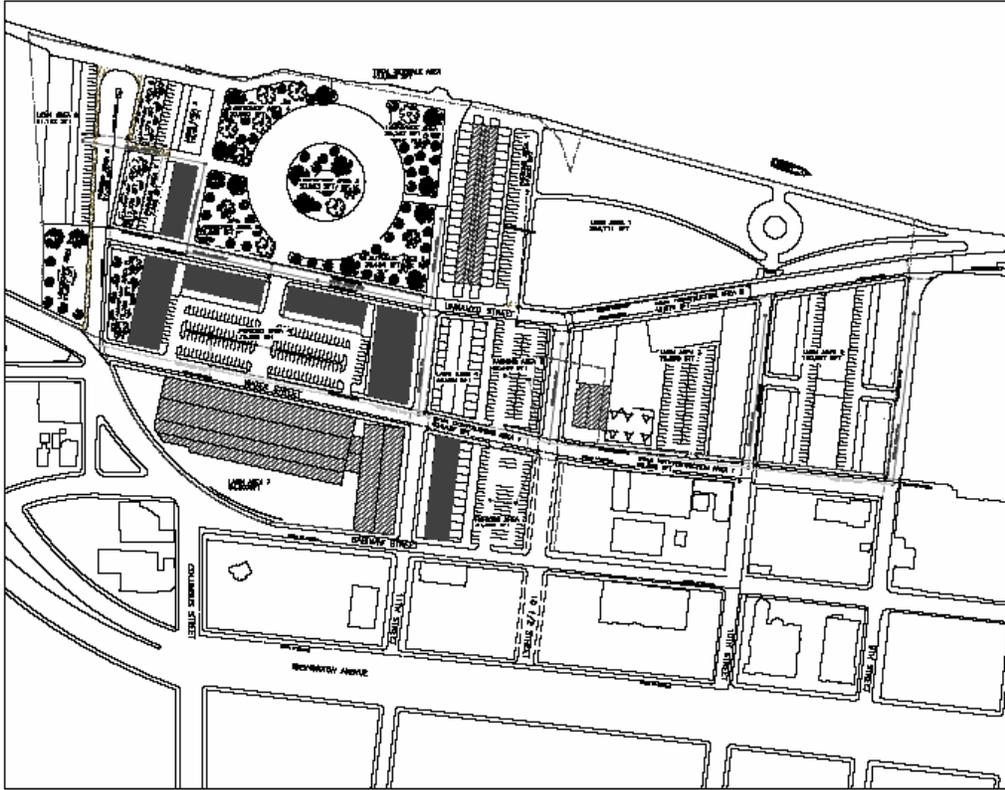
1. Cost Predictions
 - a. Revised Preliminary Cost Prediction (9 April 2004)
 - b. Civil Engineering Cost Prediction (9 April 2004)
 - c. Cost Estimate Plan
 - d. Project Cost Estimate & Phase 1 Cost Prediction (20 may 2004)
2. Development Plan Alternatives
 - a. Amended Plan

The summaries of costs are preliminary predictions of project costs based on the concept drawings included in the Phase 2 Report. As noted in the report, the scope of Phase 1 development was revised once the 9 April 2004 numbers were received. The Phase 1 Cost Prediction listed in Item (d) reflects the reduction in the amount of infrastructure required to support the reduced project scope. It does include an allowance for the construction of the transient marina, which could be deferred to a slightly later phase in our opinion.

- Relocation of the private marina and reduction of the plaza at the Foundry Marketplace;
- Addition of a second restaurant and parking to the north of the transient marina;
- An optional street and plaza plan for the Foundry Place Gateway.

The amended plan reflects design alternatives that should be considered by the city, as the project begins to be developed to a schematic level. Alternatives include:

These alternatives are suggestions for the city officials, staff and public to consider in refining the development plan into mapped streets and/or rights-of-way, and developing a detail set of documents which should include input from traffic and civil engineers.



LEGEND

	EXISTING	PROPOSED
WATER MAIN	---	---
SANITARY SEWER	---	---
STORM SEWER	---	---
LANDSCAPE AREA	---	---
LAWN AREA	---	---
CONCRETE	---	---
ROAD CONSTRUCTION	---	---
ROAD RECONSTRUCTION	---	---
PARKING AREA	---	---
BUILDING AREA	---	---

Scale: 1" = 20'

Wedge-Trit
 200 West 42nd Street
 New York, NY 10036
 Tel: (212) 594-2610
 Fax: (212) 547-4381

UPTOWN AT RIVERSEGE
BAY CITY, MICHIGAN

Pasanella
 + Klein
 + Stolzman
 + Berg

ARCHITECTS, P.A.

01 CDST ESTIMATE PLAN

THE WEITZMAN GROUP, INC.
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- PHASE 1 INFRASTRUCTURE COST ESTIMATES -
PASANELLA + KLEIN STOLZMAN + BERG ARCHITECTS

THE WEITZMAN GROUP, INC.
Real Estate Consultants

Uptown at Rivers Edge

Bay City, Michigan

Cost Estimate

20-May-04

HARD COSTS		Phase 1
Site Preparation	700,000	700,000
Utilities	2,000,000	2,000,000
Surface Site Development	5,300,000	3,300,000
Private Marina	2,600,000	0
Transient Marina	1,300,000	1,300,000
Building Construction	36,220,440	0
Tenant Improvements	354,000	0
Subtotal	48,474,440	7,300,000
Performance Bonds	60,593	9,125
Contractor's Fee	7,271,166	1,095,000
Design Contingency	9,694,888	1,460,000
Owner's Testing & Inspection	250,000	80,000
TOTAL HARD COSTS	65,751,087	9,944,125
SOFT COSTS		
Design & Engineering	5,260,087	795,530
Legal	500,000	50,000
Development Fee	2,630,043	0
Soft Cost Contingency	419,507	42,277
TOTAL SOFT COSTS	8,809,637	887,807
PROJECT COST	74,560,724	10,831,932

THE WEITZMAN GROUP, INC.
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- FEASIBILITY ANALYSIS -

EXECUTIVE SUMMARY

Stage 1 of Land Use Planning revealed certain essential properties of the **Uptown at RiversEdge Site**.

WATERFRONT

A history of riverfront forests could be brought to life newly designated as a waterfront park. This park could have integrated harbors or docks alongside the existing edge. The dual elements of a nature area and a scenic maritime waterfront shape the development planning at the river's edge.

BUILDING PRECEDENTS

Bay City's downtown block buildings provide an excellent format for new mixed use buildings along Water Street. A loft prototype could be developed as a kind of generic building type: a daylight, walk-up structure that could become housing, laboratories, office space or any of a variety of a mixture of all of these. The Bradbury Building in Los Angeles or the reused industrial buildings of Soho in Manhattan are suggestive types.

SITE ORGANIZATION

The site has a tripartite structure with the head of the site, the northern portion, aligning with City Hall and providing an opportunity to link the site to the down-

town. (see fig. 23) Located close to Memorial Bridge, this area of the site would serve well as a theme destination such as a museum or cultural center.

The site's mid section of existing factory buildings is well suited to an adaptive reuse for commercial/retail functions.

The memory of the site's industrial past serves the broader urban context by distinguishing the **Uptown at Rivers Edge** as a unique development based on industrial architecture.

The southern section has ties to the residential areas on Columbus Avenue and Breakers Cove. It also provides an opportunity for a striking gateway, defined by the pronounced facade of the Kahn Building, for northbound traffic on Water Street.

CIRCULATION

Tying these three development parcels together is a renewed Water Street for vehicular travel and the riverfront walkway for pedestrian travel.

Water Street as the central artery of **Uptown at RiversEdge** commemorates the beginning of Bay City, when the wealth from the river's natural bounty and the shoreline of industries it supported, made the river the primary force behind the prosperity of Bay City.



Fig. 1 Maritime Scene
Photo by T. Kaackel



Fig. 2 Riverwalk
St. Paul, MN



Fig. 3 Interior of
Bradbury Building



Fig. 4 Saginaw River

**UPTOWN AT RIVERSEGE
BAY CITY, MICHIGAN**

Pasanella + Klein Stolzman + Berg Architects, P.C.

DECEMBER 2002

SITE: LOCATION



fig.5 Michigan and the Great Lakes



fig. 6 Bay County and Lake Huron

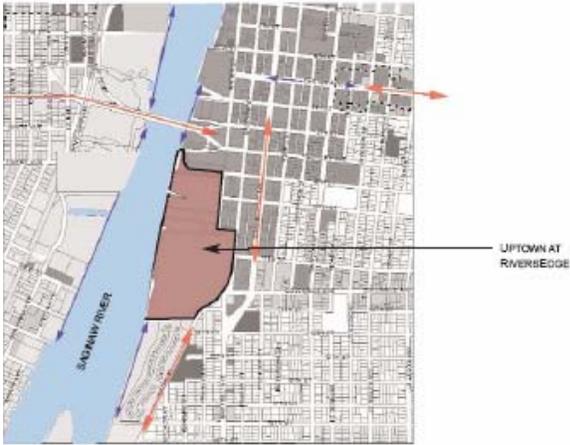


fig.7 Bay City and Saginaw River

**UPTOWN AT RIVERSEDGE
BAY CITY, MICHIGAN**

Pasanella + Klein Stolzman + Berg Architects, P.C.
DECEMBER 2003

Uptown at RiversEdge is a site with a rich natural and industrial history. The site is situated in Bay City, Michigan, at the head of that great arm of Lake Huron Saginaw Bay, where the "thumb" of Michigan joins the palm of the hand.

The edge of Saginaw river, when it was discovered by settlers was a dramatic shoreline of virgin forest. Settlers achieved commercial prosperity from the logging of this timber and the entire county owes its original development to a prime location on the Great Lakes Saginaw Bay and the Saginaw River (fig.5 and 6). The river provided ease of transport for the logging industry that boomed through the 19th century. Logging mills developed between the river's edge and Water Street (fig. 9).

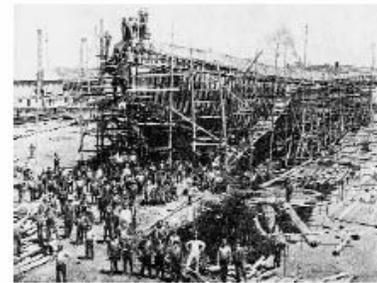


fig. 8 Davidson's Shipyard

SITE: HISTORY

The boat building industry ensued and many of the sites on the river to the north of downtown Bay City filled with Shipyards. (fig. 8)

To support the equipment of the mills and boat building facilities, machine foundries opened. **Uptown at RiversEdge**, composed of several waterfront sites, most likely held businesses involved in all three industries. However the metal foundry of Industrial Works is remembered for its great contribution to Bay City's industrial development.



fig. 9 Birds' eye view of Saginaw River 1890



fig.10 Historic Rivers' Edge circa 1918

**UPTOWN AT RIVERSEDGE
BAY CITY, MICHIGAN**

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SITE: INDUSTRIAL WORKS/INDUSTRIAL BROWNHOIST 1873-1983



Fig. 11 Industrial Brownhoist Site Plan

**UPTOWN AT RIVEREDGE
BAY CITY, MICHIGAN**

Pasanella + Klein Stolzman + Berg Architects, P.C.
DECEMBER 2003



Fig. 12 Industrial Brownhoist Aerial Photograph



Fig. 13 IB Lifting Crane

A prosperous company that began by supporting neighboring logging mills and shipbuilding businesses, Industrial Works stepped into new territory in 1881 by developing a special steam shovel for railroad excavating work.

Industrial Works went on to gain recognition for their massive wrecking cranes (Fig. 13). In 1931 the company consolidated and became Industrial Brownhoist.

Land fill brought the rivers' edge to its current location to allow for construction of support sheds and the unloading of materials from the waterfront. (Fig.11)

For the first half of the 20th century, Industrial Brownhoist products were busy at major sea ports as lifting cranes unloading ships, and at about anywhere large lifting or ground moving equipment were needed.¹ IB became one of Bay City's largest employers and taxpayers.

The most striking feature of the IB grounds are the enormous factory buildings. These structures provided interior space adequate for maneuvering large steel components. Constructed of steel frames, these "sheds" have clerestory windows and skylights down central axes. These factories created long axial passageways through the site and are examples of great workhouses that facilitated the industrious use of the site.



Fig. 14 Interior of Kahn Factory Building

After decades of changing ownership, Industrial Brownhoist closed in 1983. The site was bought by Stress Con, an aggregates company. The current mix of buildings is the result of the overlay of the aggregate facilities and the IB facilities.

Many of these buildings are obsolete and recommended for demolition (fig. 18 see pages 18 and 19 for building recommendations). However the Monarch Building (home to the former powerhouse), and the three factory sheds are recommended for adaptive reuse. The site has been purchased by the City of Bay City and awaits a new chapter. In the words of a Bay City resident, "the chorus of sounds of a once productive industry were replaced by the occasional sounds of a heavy hauler moving stone or the roaring of a single machine. The huge buildings where some of the world's largest cranes were built remain as remnants to remind us of an era when the river represented industrial wealth to our community."²



Fig. 15 Water Street between 19th and 21st streets 1917

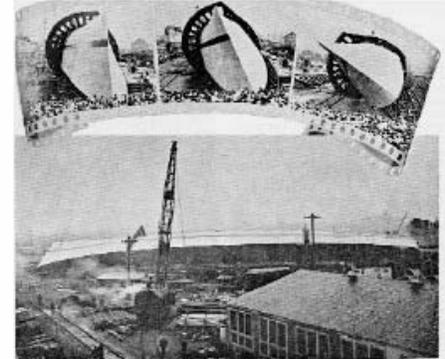


Fig. 16 Defoe's "Roll-over" Method, Defoe Shipyards



Fig. 17 Scenes of waterfront industry

**UPTOWN AT RIVERSEDGE
BAY CITY, MICHIGAN**

Pasanella + Klein Stolzman + Berg Architects, P.C.

DECEMBER 2008

SITE: EXISTING BUILDINGS



1



2



3



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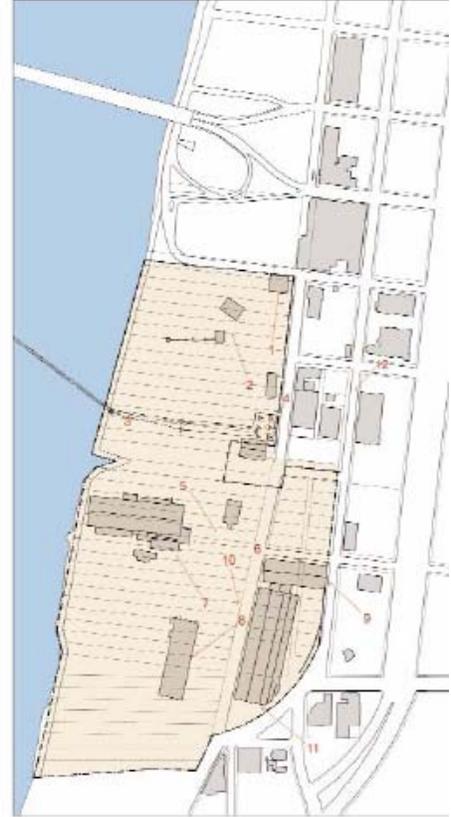
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12



**UPTOWN AT RIVERSEDGE
BAY CITY, MICHIGAN**

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DECEMBER 2003

SITE CONTEXT: SOLAR DIAGRAM



Fig. 19 Solar Path and Solar Angle Diagram

Uptown at RiversEdge is located on the 43° 35 north latitude, bounded to the west by Saginaw River, to the east by Water Street, to the north by a private parking lot and to the south by a single family residential community Breakers Cove. The north end of the site is linked to City Hall and the Historical Museum by 10th Street. Two blocks north is the Holiday Inn and a new convention center. At the south end Columbus Avenue and Water Street bring traffic from residential communities and the mixed use riverfront to the south.

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SITE CONTEXT: 100 YEAR FLOOD ZONE

Uptown at RiversEdge is 650 ft. at the north edge and 700 ft. at the south edge. It is 2220' from north to south and is a total 1,900,000 sq. ft./43.62 acres. The rivers' edge has a 100 year flood zone that encroaches a maximum of 300 ft. at the north end (Fig. 20).



Fig. 20 100 Year Flood Zone

— SITE
— 100 YEAR FLOOD ZONE

**UPTOWN AT RIVERSEDGE
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CIVIC CONTEXT: USES AND BUILDING TYPES



Fig. 21 Bay City Zoning Districts

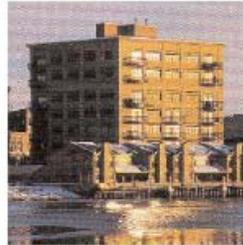


Fig. 22 Bay City Buildings
Photos by T. Kaekel

Uptown at RiversEdge is zoned C-3 Central Business District. Nearby downtown Bay City has many fantastic mixed use block buildings with ground floor retail spaces and office/residential above. The downtown district has a popular antique row on Center Avenue that ends at Wenonah Park, on the rivers' edge. Jennison Condominiums is a recent conversion of warehouse to residential that provides owners' with river views and access to downtown. Two historic residential districts are nearby with a notable collection of period style homes. Across Saginaw River the river-front has a series of developments from Nature Areas to ball-parks. Major traffic to the site comes from Hwy 75 to 25 which crosses Memorial Bridge just north of Uptown at RiversEdge. Both northern and southern shores are met by pedestrian paths that the City plans to be linked by the future development.

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SITE CONSTRAINTS



Fig. 24 Site Constraints Plan

To achieve this land use development plan the cost of improvements associated with new infrastructure will need to be financed. The site requires a street grid with all new utilities, electrical, sewage and gas lines. Existing buildings will require full renovations. The riverfront nature area and river front walkway connection will require reshoring of the waterfront and landscaping. Parking, below grade or on site will also need to be considered.

UPTOWN AT RIVERSEDGE
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CONCEPT PLAN 1

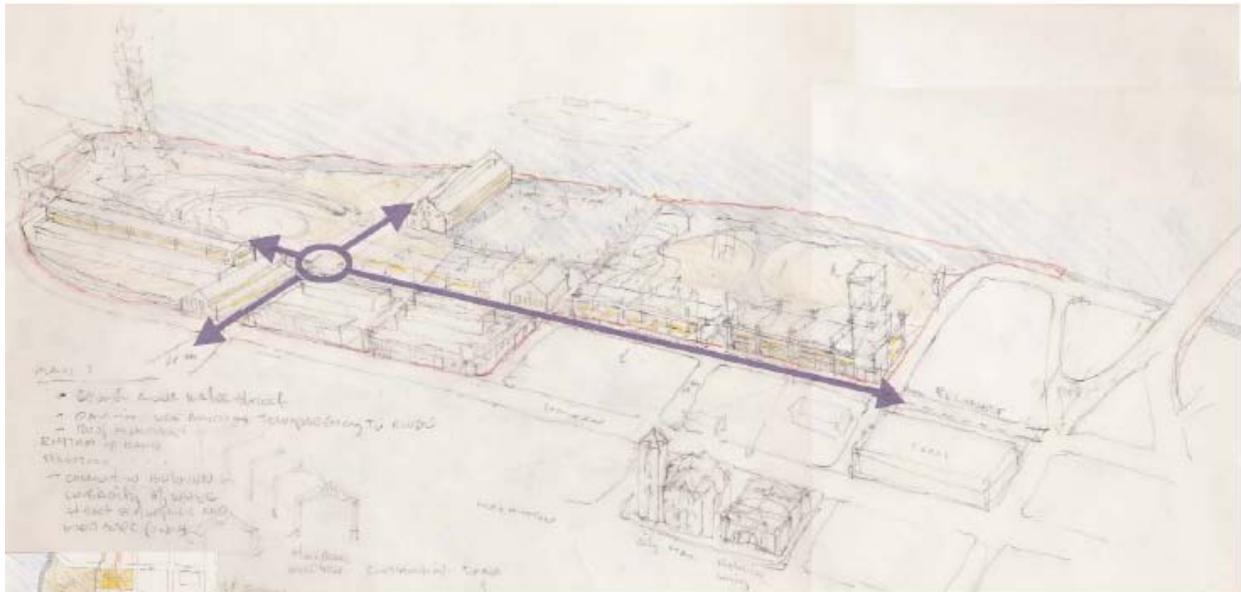


Fig. 25 Aerial View- Concept Plan 1



Fig. 26 Concept Plan 1

Plan 1 concepts

- growth along Water street in the form of mixed use buildings-retail at base with residential or commercial above
- old/new block paradigms in pavilion-like buildings to provide transparency to waterfront park and river beyond
- structural bay module of Kahn factory building sets up rhythm on Water Street
- central "harbor" visually defines foundry building at end of 11th street axis and as beacon on riverfront
- tower at northeast corner to relate to City Hall tower and to mark north entrance
- amphitheater at southern end with tower commemorating crane construction of Industrial Brownhoist

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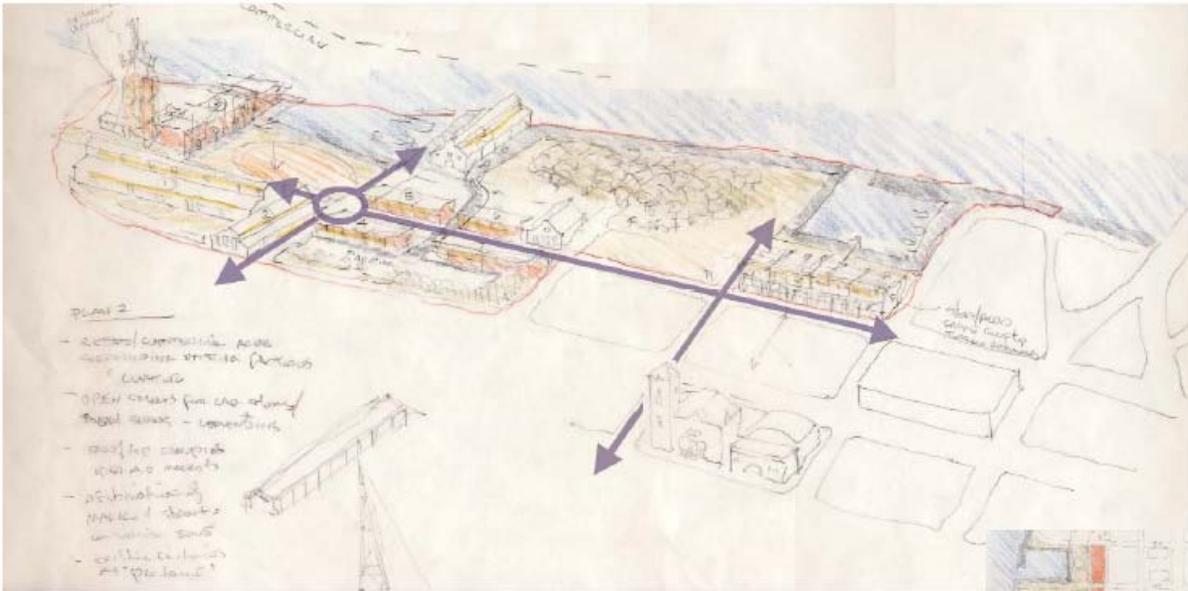


Fig. 27 Aerial View- Concept Plan 2

Plan 2 concepts

- retail/commercial area surrounding existing factories with parking facing Saginaw Street
- outdoor "piazza" with pedestrian Water Street between 11th and 13th Street
- two "harbors" define riverfront nature area at center
- office building at northern edge facing City Hall with steel frame rooftop restaurants viewing river
- waterfront museum with tower opposite Kahn facade to form a gateway at southern Water Street entrance

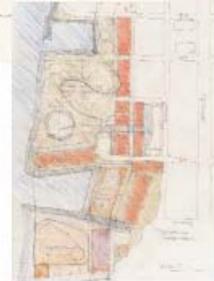


Fig. 26 Concept Plan 2

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CONCEPT PLAN 3



Fig. 29 Section - Concept Plan 3



Plan 3 concepts

- inlet with island for recreational boat travel
- destination block at north by City Hall
- riverfront parks with historical timeline told in series of vertical markers
- residential development 6-8 stories at southern end

Fig. 30 Concept Plan 3

UPTOWN AT RIVERSEDGE
BAY CITY, MICHIGAN

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LAND USE PLAN 1



Fig. 31 Land Use Plan

Land Use Plan 1 breaks the site into ten separate parcels, intended for multiple developers. 3 to 4 story mixed use commercial buildings define Water Street. With retail at the base, these buildings could have either residential or office space above. Their scale is similar to Center Avenue in downtown Bay City. This development strategy assumes an incremental transformation of the site from industrial to mixed use urban. Existing factories are preserved to create a strong historical spine running east to west and reusing the previous entry way at 11th Street. The plan locates a theme destination in the block south of the foundry building, and dedicates the block south of 13th Street exclusively to residential development.

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LAND USE PLAN 2



Fig. 32 Land Use Plan 2

Land Use Plan 2 divides the site into two separate development parcels. At the north a theme destination occupies the first two blocks and generates a series of civic spaces from City Hall, to the new development to the riverfront park. This northern half of development is separated from the southern half by a "harbor." The southern half of development preserves the Kahn factory building and Monarch Building. The plan creates a commercial ring by extending the curve of Saginaw Street through the site. The buildings along this urban loop are mixed use commercial blocks, framing a park at the center, with either residential or office space above.

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LAND USE PLAN 3

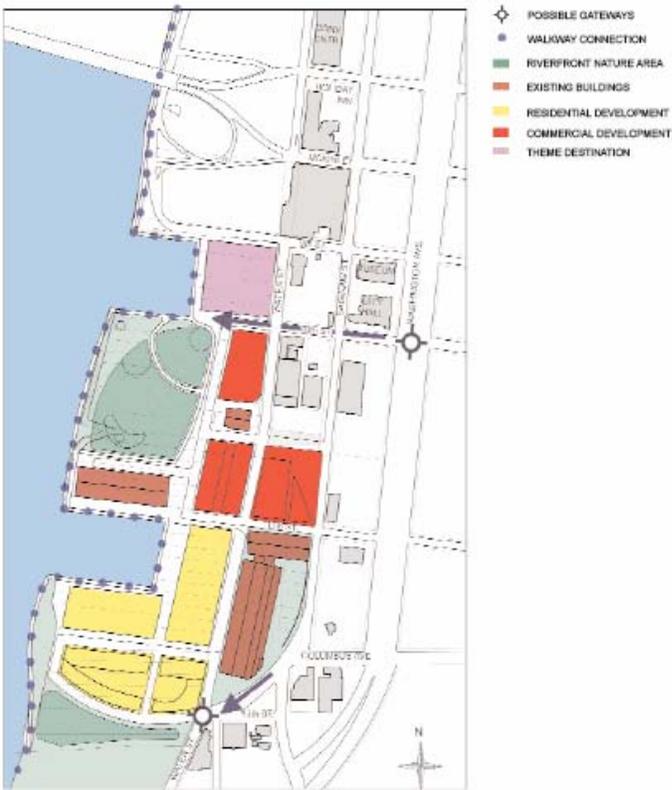


Fig. 33 Land Use Plan 3

Land Use Plan 3 divides the site into three parcels and introduces two "harbors". The northern section holds a theme destination backing onto a harbor. The middle section contains commercial blocks which bring together the existing four buildings. Beyond the buildings stands a riverfront park. The southern section is planned solely for residential development. The Kahn Building is renovated into loft-like residential units, or facilities to support the residential units such as a health club or farmers' market.

**UPTOWN AT RIVERSEDGE
BAY CITY, MICHIGAN**

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SITE: RECOMMENDATIONS FOR EXISTING STRUCTURES

DR

Building 1: Storage Shed

67' x 78' steel frame shed

Flat roofed single storey masonry shed with four garage door openings at the south façade. The building was used for storage by Bay Aggregate and has no value for re-use. This structure should be demolished.

Building 2: Repair Shed and Elevator

60' x 85' masonry block and corrugated structure

Bay Aggregates single storey repair shed has two garage doors at the center of a pitched roof. Of insubstantial construction its potential for re-use is nil and it should be demolished.

Bay Aggregate's elevator with attached office was intended to be relocated to their new site. However they have purchased a new elevator and abandoned this one on site. It should be removed.

Building 4: Monarch Building

92' x 108' concrete and brick structure

The Monarch Building's prominent main east-facing façade has three bays under a hipped roof with a single flat roofed lower extension to the north. One enters a well-lit large space with a soaring exposed steel truss structure supporting the roof. The basement below has natural light from east-facing windows in addition to windows along the south façade, which slopes to grade at the west end where there is a large opening for loading. A single loading loft at the west end extends as a rear appendage. This former powerhouse has a fenced yard of active power lines adjacent to its north façade.

The handsome brick work is in generally good condition requiring selective re-pointing and cleaning except at the southwest corner where there is major deterioration

and slight deflection of the steel lintel at the loading dock opening. Some non-matching brick consolidation has been undertaken. The wood roof deck is solid except for rot at the center hip at the front exposing below to exterior conditions. The interior concrete slabs are in good condition as are masonry walls. All windows and doors need replacement, and the installation of new mechanical systems would be required.

The Monarch building is an attractive well-proportioned structure with a strong presence surpassing its relatively small size. Interior spaces are well lit and spatially impressive. The Monarch's building central location on the site and its foil to the power lines that are to remain add to its value. It is recommended for re-use as a commercial or cultural structure.

Building 5: High Storage

62' x 98' stressed concrete and brick structure

This multi-storey storage building has been divided into small spaces with thick concrete walls. Few window openings make the interior dark. It has no historical or architectural value and should be demolished.

Building 6: Foundry

98' x 334' steel frame masonry structure

The former foundry is a long building oriented east-west with wide continuous highly articulated steel trusses. Two rows of massive steel columns flank the central axis separating it from side spaces with a sloped roof. Clerestory lighting at the center and the columns is blocked at present. Ancillary structures attached to the foundry detract from its clean strong form and distinctive profile, and deny natural light. These should be removed.

UPTOWN AT RIVEREDGE
BAY CITY, MICHIGAN

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DECEMBER 2003

SITE: RECOMMENDATIONS FOR EXISTING STRUCTURES

The steel structural members, concrete slab at grade and the timber roof deck are all in good condition. Windows require replacement and there are some areas of masonry deterioration. The building's presence along the river's edge acts as a beacon for the site across the Saginaw River. The building has potential for re-use as a commercial or cultural structure, especially related to a maritime theme.

Building 7: Foundry Shed

This high tin shed with a low-pitched roof was used by the foundry for deliveries. It is of insignificant value and its presence detracts from the Foundry building itself. It should be demolished.

Building 8: Shears Building

325' x 68' steel frame

All that remains of the Shears building is its west wing. The steel structure is

stable, but nothing more remains. It should be demolished.

Building 9: Corner Building

88' x 255' wood frame masonry structure

The corner building is oriented east-west perpendicular to the Kahn building to which it is attached by a single storey sloped roof link that does not block fenestration along the north façade of the Kahn building. The north façade of the Corner building provide an edge to 11th Street as if it were to continue into the site. Its distinguishing east façade is at the edge of Water Street where it is connected to a high masonry wall that follows the curve of Water Street to form a secluded space at the north west edge of the Kahn building.

The concrete slab on grade joins a loading dock at the west end of the building, which serves the Kahn building. The wood trusses and

roof deck are in good condition. Clerestory windows have been blocked making the interior dark. Exterior masonry is in good condition. New mechanical systems would be required. Prime location, good physical condition, and spectacular interior space with good natural light give this building strong potential to be retained for adaptive re-use as a commercial or cultural structure.

Building 10/11: Kahn Building

490' x 110' steel frame masonry structure designed by Albert Kahn

Two hipped roofed structures sharing a common steel colonnade. The lower east portion has a skylit corridor running its length and serving a single storey spaces between structural steel bays to the east and access to the higher portion to the west. The higher portion also has a skylight down its central access. While there are no floor

slabs above grade, fenestration is on both east and west sides on upper two levels plus on ground level at west elevation.

The building has a solid concrete slab on grade. The massive steel structure is in good condition, as is the timber roof deck with no signs of leaks. Metal cladding of the roof and steel frame windows need replacement.

The Kahn building has a strong visual presence at the southeast corner of the site. Its imposing south façade is the focus along Water Street which curves to make its way around the site.

This former machine shop structure has played a significant role in Bay City's economic growth, is prominently located, and has architectural significance and a great potential for adaptive re-use in a variety of ways. This structure should be retained.

**UPTOWN AT RIVERSEDGE
BAY CITY, MICHIGAN**

Pasanella + Klein Stolzman + Berg Architects, P.C.

DECEMBER 2009

THE WEITZMAN GROUP, INC.
Real Estate Consultants

- FEASIBILITY ANALYSIS -

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- FOUNDRY MARKETPLACE AT BAY CITY -

Uptown at River's Edge
FOUNDRY MARKETPLACE AT BAY CITY

Discounted Cash Flow Assumptions

The important underlying assumptions used in this analysis are as follows:

1. Time Frame - Ten year projected holding period commencing January 1, 2005, the projected date upon which construction will commence. The renovation is projected to be completed on July 1, 2006. The projected date of stabilized occupancy is January 1, 2008, or 18 months following the completion of the building. Unless otherwise noted, all dollars are expressed in 2004 dollars.
2. Market Rent - \$16.00 per square foot triple net, growing at 3.0% per year.
3. Reimbursement Income - The tenants will pay their pro rata share of operating expenses in the form of a CAM charge estimated at \$3.00 per square foot.
4. Percentage Rent Income - None
5. Operating Expenses - \$3.00 per square foot
6. Real Estate Taxes - \$2.50 per square foot.
7. Total GLA - 50,000 square feet.
8. Percentage Rent - None
9. Lease up period - 18 months
10. Leasing Commissions - We have assumed that all of the space will be leased directly by the operator.
11. Tenant Improvements - \$354,000
12. Vacate vs. Release Ratio - We have assumed a 70.0% probability that the tenant will renew and a 30.0% probability that they will vacate upon expiration of their lease.
13. Interim Vacancy - We have assumed that it will take six months to lease up the vacant space upon expiration of a lease. Assuming a 70.0% renewal probability, the weighted average downtime is two months.
14. Vacancy and credit loss - 8.0%
15. Reserves - \$0.25 per square foot
16. Resale Value - An overall capitalization rate of 10.5% was applied to the net operating income in the 11th year of the projection to establish the resale value of the property at the end of the 10th year. We have assumed a selling cost of 2.0%.

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17. Equity/Debt Ratio - 25.0% equity, 75.0% debt
18. Construction loan financing - The principal amount will be equal to 75.0% of hard and soft costs. The term of the construction loan is for 36 months at an interest rate of 5.0%.
19. Permanent loan financing - The permanent loan commences in month 37. The term of the loan is for 10 years at an interest rate of 7.0%.

FEASIBILITY ANALYSIS
FOUNDRY MARKETPLACE AT BAY CITY

Land Value:	2 Acres @ \$415,000 per acre	<u>\$830,000</u>
	Sub Total	\$830,000
Hard Costs:	Building @ \$75.00 per square foot	\$3,750,000
	Tenant Improvements	\$354,000
	Design Contingency @ 7.5% of hard costs	\$307,800
	Contractors Fee @ 15.0% of hard costs	<u>\$615,600</u>
	Sub Total	\$5,027,400
Soft Costs:	Design and Engineering @ 8.0% of hard costs	\$402,192
	Developers Fee @ 3.5% of hard costs	\$175,959
	Construction Interest	\$334,291
	Soft Cost Contingency @ 5.0% of soft costs	<u>\$28,908</u>
	Sub Total	\$941,350
	Total Hard, Soft, and Land costs	\$6,798,750
	Plus: Profit @20.0%	<u>\$1,359,750</u>
		\$8,158,500
	Total Per Square Foot	\$163.17
	Target Triple Net Rent required to achieve a 10% Return on Cost (Per Square Foot)	\$16.00
	Tenants Total Rent including CAM but excluding Real Estate Taxes	\$19.00 psf
	Sales Volume Per SqFt required to achieve a 15% Cost of Occupancy Ratio	\$127.00 psf

CONSTRUCTION BUDGET - FOUNDRY MARKETPLACE AT BAY CITY

Capital Budget - As of 4/26/04

Cost/SF
50,000

Acquisition

Legal	-		\$0.00
Emergency Services	-		0.00
Site Acquisition	830,000		16.60
Brokerage Fee	-		0.00
Sub Total		830,000	16.60

Hard Costs

Bldg. Construction	50,000	\$ 75	3,750,000		75.00
Site Preparation	-		-		0.00
Utilities	-		-		0.00
Surface Site Developi	-		-		0.00
Tenant Improvements			354,000		7.08
Subtotal			4,104,000		
Performance Bonds	0.000%		-		0.00
Contractors Fee	15.00%		615,600		12.31
Design Contingency	7.50%		307,800		6.16
Owners Testing & Inspection			-		0.00
Sub Total			5,027,400		100.55

Soft Costs

Contractor Fee	0.0%		-		0.00
Design & Engineering	8.0%		402,192		8.04
Marketing			-		0.00
Development Fee	3.5%		175,959		3.52
Soft Cost Contingency	5.00%		28,908		0.58
					0.00
					0.00
Subtotal			607,059		12.14

Total Project Costs w/o Reserves		6,464,459		129.29
Interest During Construction - Ba	5.00%		-	0.00
Interest During Construction - Mezz Loan			-	0.00
Add'l Operating Reserve			-	0.00
			-	0.00
Total Project Costs with Reserves		6,464,459		129.29

Sources

Total Project Costs				6,464,459		129.29
						0.00
						0.00
						0.00
						0.00
Equity & Mezzanine	Amort.	Rate	Target %	1,616,115	Actual %	32.32
Construction Loan	25	5.00%	75%	4,848,344	75.00%	96.97

Developer Equity IRR

19.21%

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Bay City - Foundry Marketplace
Monthly Cash Flow Forecast

Project Month / Year	30-Nov-05	31-Dec-05	31-Jan-06	28-Feb-06	31-Mar-06	30-Apr-06	31-May-06	30-Jun-06	31-Jul-06	31-Aug-06	30-Sep-06	31-Oct-06	30-Nov-06	31-Dec-06	31-Jan-07	28-Feb-07	31-Mar-07	30-Apr-07	
Operation Month / Year	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	
Operation Month / Year	1	2	3	4	5	6	7	8	9	10	11	12							
Occupancy - Beginning																			
Occupancy - End																			
Eff. Occupancy % - Average																			
Revenues																			
Apartment Rental Revenue																			
Condominium Sales Revenue																			
Retail Rental Revenue																			
Foundry Marketplace Rental Revenue							15,733	15,733	15,733	31,467	31,466	31,466	47,203	47,201	47,201	62,937	62,934	62,940	
Ancillary Income																			
Adj. Vacancy Adjustment 5.0%							(787)	(787)	(787)	(786)	(787)	(787)	(786)	(787)	(787)	(786)	(787)	(786)	
Total Revenue							14,946	14,946	14,946	30,681	30,679	30,679	46,417	46,414	46,414	62,151	62,147	62,154	
Expenses																			
Department Expenses																			
Apartment Operating Expenses																			
Apartment Real Estate Taxes																			
Apartment Management Fee																			
Condominium Expenses																			
Retail Expenses																			
Foundry Marketplace Expenses							23,680	23,679	23,680	23,678	23,680	23,679	23,679	23,679	23,680	23,678	23,680	23,678	
Miscellaneous																			
Total Departmental Expenses							23,680	23,679	23,680	23,678	23,680	23,679	23,679	23,679	23,680	23,678	23,680	23,678	
Gross Operating Income							(8,734)	(8,733)	(8,734)	7,003	6,999	7,000	22,738	22,735	22,734	38,473	38,467	38,476	
Gross Operating Margin							-58.4%	-58.4%	-58.4%	22.8%	22.8%	22.8%	49.0%	49.0%	49.0%	61.9%	61.9%	61.9%	
Non Departmental Expenses																			
Taxes																			
Association Fees																			
Insurance																			
Administrative Fee																			
Total Operating Expenses							23,680	23,679	23,680	23,678	23,680	23,679	23,679	23,679	23,680	23,678	23,680	23,678	
Net Operating Income							(8,734)	(8,733)	(8,734)	7,003	6,999	7,000	22,738	22,735	22,734	38,473	38,467	38,476	
Replacement Reserve - Acts							(1,104)	(1,104)	(1,104)	(1,104)	(1,104)	(1,105)	(1,104)	(1,104)	(1,104)	(1,104)	(1,104)	(1,105)	
Cash Flow Before Debt Service							(9,838)	(9,837)	(9,838)	5,899	5,895	5,895	21,634	21,631	21,630	37,369	37,363	37,371	
Bank Loan - Interest							(21,246)	(21,246)	(21,246)	(21,246)	(21,246)	(21,246)	(21,246)	(21,246)	(21,246)	(21,246)	(21,246)	(21,246)	
Bank Loan - Principal																			
Mezz Loan - Interest																			
Mezz Loan - Principal																			
Debt Service - Total							(21,246)	(21,246)	(21,246)	(21,246)	(21,246)	(21,246)	(21,246)	(21,246)	(21,246)	(21,246)	(21,246)	(21,246)	
DSC - Bank Loan							(0.46)	(0.46)	(0.46)	0.28	0.28	0.28	1.02	1.02	1.02	1.76	1.76	1.76	
DSC - Bank + Mezz Loan																			
Cash Flow Before Reserve Applied							(31,084)	(31,083)	(31,084)	(15,347)	(15,351)	(15,351)	388	385	384	16,123	16,117	16,125	
Operating Reserve Applied																			
Operating Reserve Released																			
Net Cash Flow From Operations							(31,084)	(31,083)	(31,084)	(15,347)	(15,351)	(15,351)	388	385	384	16,123	16,117	16,125	
Development:																			
Hard & Soft Costs																			
Interest Expense - Bank Const. Loan	(20,723)	(20,809)	(20,896)	(20,983)	(21,070)	(21,158)													
Interest Accrual - Mezz. Loan																			
Operating Reserve Funded																			
Total Construction Costs	(20,723)	(20,809)	(20,896)	(20,983)	(21,070)	(21,158)													
Cumulative Const. Costs	(6,893,835)	(6,714,644)	(6,735,539)	(6,756,522)	(6,777,592)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	
Sub-total - Project Cash Flow	(20,723)	(20,809)	(20,896)	(20,983)	(21,070)	(21,158)	(31,084)	(31,083)	(31,084)	(15,347)	(15,351)	(15,351)	388	385	384	16,123	16,117	16,125	
Capital Events:																			
Permanent Loan Proceeds																			LTV 75.0% 5,733,495
Less: Loan Fees																			1.5% (86,002)
Less: Repayment of Const. Loan																			(5,099,063)
Less: Repayment of Mezz. Loan																			
Net Proceeds from Refinancing																			548,430
Sale of Property																			
Less: Selling Expenses																			
Less: Repayment of Perm. Loan																			
Less: Repayment of Mezz. Loan																			
Net Proceeds from Sale																			
Total Proceeds Capital Events																			548,430
Sub-total - Project Cash Flow	(20,723)	(20,809)	(20,896)	(20,983)	(21,070)	(21,158)	(31,084)	(31,083)	(31,084)	(15,347)	(15,351)	(15,351)	388	385	384	16,123	16,117	16,125	
Sources of Funds:																			
Equity - Developer							31,084	31,083	31,084	15,347	15,351	15,351							
Equity - Partner																			
Aditt. Equity - Developer																			
Aditt. Equity - Partner																			
Bank Loan	20,723	20,809	20,896	20,983	21,070	21,158													
Mezz Debt - Partner																			
Total Project Sources	20,723	20,809	20,896	20,983	21,070	21,158	31,084	31,083	31,084	15,347	15,351	15,351							
Total - Project CF for Distribution						(0)							388	385	384	16,123	16,117	16,125	

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Bay City - Foundry Marketplace
Monthly Cash Flow Forecast

Project Month / Year	31-May-07	30-Jun-07	31-Jul-07	31-Aug-07	30-Sep-07	31-Oct-07	30-Nov-07	31-Dec-07	31-Jan-08	29-Feb-08	31-Mar-08	30-Apr-08	31-May-08	30-Jun-08	31-Jul-08	31-Aug-08	30-Sep-08	31-Oct-08
Operation Month / Year	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Occupancy - Beginning																		
Occupancy - End	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Eff. Occupancy % - Average																		
Revenues																		
Apartment Rental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Condominium Sales Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retail Rental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foundry Marketplace Rental Revenue	79,969	79,969	79,965	96,530	96,531	96,526	96,883	96,884	96,883	97,239	97,238	97,231	98,698	98,698	98,696	99,426	99,425	99,425
Ancillary Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Act. Vacancy Adjustment 5.0%	(4,559)	(4,559)	(4,559)	(4,559)	(4,559)	(4,559)	(4,559)	(4,558)	(4,559)	(4,559)	(4,559)	(4,559)	(7,961)	(7,961)	(7,961)	(7,962)	(7,961)	(7,961)
Total Revenue	75,410	75,410	75,406	91,971	91,972	91,967	92,324	92,326	92,324	92,680	92,679	92,672	90,737	90,737	90,736	91,464	91,464	91,464
Expenses																		
Departmental Expenses																		
Apartment Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Apartment Real Estate Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Apartment Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Condominium Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retail Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foundry Marketplace Expenses	24,389	24,389	24,390	24,389	24,389	24,391	24,389	24,390	24,389	24,389	24,390	24,391	25,121	25,121	25,121	25,121	25,121	25,122
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Departmental Expenses	24,389	24,389	24,390	24,389	24,389	24,391	24,389	24,390	24,389	24,389	24,390	24,391	25,121	25,121	25,121	25,121	25,121	25,122
Gross Operating Income	51,021	51,021	51,016	67,582	67,583	67,576	67,935	67,936	67,935	68,291	68,289	68,281	65,616	65,616	65,614	66,343	66,343	66,342
Gross Operating Margin	67.7%	67.7%	67.7%	73.5%	73.5%	73.5%	73.6%	73.6%	73.6%	73.7%	73.7%	73.7%	72.3%	72.3%	72.3%	72.5%	72.5%	72.5%
Non Departmental Expenses																		
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Association Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Administrative Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	24,389	24,389	24,390	24,389	24,389	24,391	24,389	24,390	24,389	24,389	24,390	24,391	25,121	25,121	25,121	25,121	25,121	25,122
Net Operating Income	51,021	51,021	51,016	67,582	67,583	67,576	67,935	67,936	67,935	68,291	68,289	68,281	65,616	65,616	65,614	66,343	66,343	66,342
Replacement Reserve - Apts	(1,137)	(1,137)	(1,137)	(1,138)	(1,137)	(1,137)	(1,138)	(1,137)	(1,137)	(1,137)	(1,138)	(1,138)	(1,171)	(1,171)	(1,172)	(1,171)	(1,172)	(1,171)
Cash Flow Before Debt Service	49,884	49,884	49,879	66,444	66,446	66,439	66,797	66,799	66,798	67,154	67,151	67,143	64,445	64,445	64,442	65,172	65,171	65,171
Bank Loan - Interest	(33,445)	(33,404)	(33,363)	(33,321)	(33,279)	(33,237)	(33,194)	(33,151)	(33,108)	(33,065)	(33,022)	(32,978)	(32,934)	(32,889)	(32,845)	(32,800)	(32,755)	(32,710)
Bank Loan - Principal	(7,078)	(7,119)	(7,161)	(7,202)	(7,244)	(7,287)	(7,329)	(7,372)	(7,415)	(7,458)	(7,502)	(7,545)	(7,589)	(7,634)	(7,678)	(7,723)	(7,768)	(7,813)
Mezz Loan - Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mezz Loan - Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service - Total	(40,523)																	
DSC - Bank Loan	1.23	1.23	1.23	1.64	1.64	1.64	1.65	1.65	1.65	1.66	1.66	1.66	1.59	1.59	1.59	1.61	1.61	1.61
DSC - Bank + Mezz Loan	1.23	1.23	1.23	1.64	1.64	1.64	1.65	1.65	1.65	1.66	1.66	1.66	1.59	1.59	1.59	1.61	1.61	1.61
Cash Flow Before Reserve Applied	9,361	9,361	9,356	25,921	25,923	25,916	26,274	26,276	26,275	26,631	26,628	26,620	23,922	23,922	23,919	24,649	24,648	24,648
Operating Reserve Applied	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Reserve Released	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow From Operations	9,361	9,361	9,356	25,921	25,923	25,916	26,274	26,276	26,275	26,631	26,628	26,620	23,922	23,922	23,919	24,649	24,648	24,648
Development:																		
Hard & Soft Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense - Bank Const. Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Accrual - Mezz. Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Reserve Funded	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Construction Costs	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)
Cumulative Const. Costs	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)
Sub-total - Project Cash Flow	9,361	9,361	9,356	25,921	25,923	25,916	26,274	26,276	26,275	26,631	26,628	26,620	23,922	23,922	23,919	24,649	24,648	24,648
Capital Events:																		
Permanent Loan Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leas. Loan Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leas. Repayment of Constr. Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leas. Repayment of Mezz. Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Proceeds from Refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leas. Selling Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leas. Repayment of Perm. Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leas. Repayment of Mezz. Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Proceeds from Sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Proceeds Capital Events	-																	
Sub-total - Project Cash Flow	9,361	9,361	9,356	25,921	25,923	25,916	26,274	26,276	26,275	26,631	26,628	26,620	23,922	23,922	23,919	24,649	24,648	24,648
Sources of Funds:																		
Equity - Developer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity - Partner	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Addt Equity - Developer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Addt Equity - Partner	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mezz Debt - Partner	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Project Sources	-																	
Total - Project CF for Distribution	9,361	9,361	9,356	25,921	25,923	25,916	26,274	26,276	26,275	26,631	26,628	26,620	23,922	23,922	23,919	24,649	24,648	24,648

THE WEITZMAN GROUP, INC.
Real Estate Consultants

Bay City - Foundry Marketplace
Monthly Cash Flow Forecast

	30-Nov-08	31-Dec-08	31-Jan-09	28-Feb-09	31-Mar-09	30-Apr-09	31-May-09	30-Jun-09	31-Jul-09	31-Aug-09	30-Sep-09	31-Oct-09	30-Nov-09	31-Dec-09	31-Jan-10	28-Feb-10	31-Mar-10	30-Apr-10
Project Month / Year	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72
Operation Month / Year	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48
Occupancy - Beginning	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Occupancy - End	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Eff. Occupancy % - Average																		
Revenues																		
Apartment Rental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Condominium Sales Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retail Rental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foundry Marketplace Rental Revenue	99,790	99,790	99,785	100,156	100,155	100,147	101,656	101,656	101,656	102,411	102,407	102,407	102,783	102,783	102,784	103,155	103,161	103,156
Ancillary Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Act. Vacancy Adjustment 5.0%	(7,962)	(7,961)	(7,961)	(7,962)	(7,961)	(7,961)	(8,200)	(8,200)	(8,200)	(8,200)	(8,200)	(8,200)	(8,200)	(8,200)	(8,200)	(8,200)	(8,200)	(8,201)
Total Revenue	91,828	91,829	91,824	92,194	92,194	92,186	93,456	93,456	93,456	94,211	94,207	94,207	94,583	94,583	94,584	94,955	94,961	94,955
Expenses																		
Department Expenses																		
Apartment Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Apartment Real Estate Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Apartment Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Condominium Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retail Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foundry Marketplace Expenses	25,121	25,121	25,121	25,121	25,122	25,122	25,875	25,875	25,874	25,876	25,874	25,875	25,876	25,874	25,875	25,874	25,876	25,875
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Departmental Expenses	25,121	25,121	25,121	25,121	25,122	25,122	25,875	25,875	25,874	25,876	25,874	25,875	25,876	25,874	25,875	25,874	25,876	25,875
Gross Operating Income	66,707	66,708	66,703	67,073	67,072	67,064	67,581	67,581	67,582	68,335	68,333	68,332	68,707	68,709	68,709	69,081	69,085	69,080
Gross Operating Margin	72.6%	72.6%	72.6%	72.8%	72.8%	72.7%	72.3%	72.3%	72.3%	72.5%	72.5%	72.5%	72.6%	72.6%	72.6%	72.8%	72.8%	72.8%
Non Departmental Expenses																		
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Association Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Administrative Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	25,121	25,121	25,121	25,121	25,122	25,122	25,875	25,875	25,874	25,876	25,874	25,875	25,876	25,874	25,875	25,874	25,876	25,875
Net Operating Income	66,707	66,708	66,703	67,073	67,072	67,064	67,581	67,581	67,582	68,335	68,333	68,332	68,707	68,709	68,709	69,081	69,085	69,080
Replacement Reserve - Apts	(1,171)	(1,172)	(1,171)	(1,172)	(1,171)	(1,172)	(1,207)	(1,207)	(1,206)	(1,207)	(1,206)	(1,207)	(1,206)	(1,207)	(1,206)	(1,207)	(1,207)	(1,206)
Cash Flow Before Debt Service	65,536	65,536	65,532	65,901	65,901	65,892	66,374	66,374	66,376	67,128	67,127	67,125	67,501	67,502	67,503	67,874	67,878	67,874
Bank Loan - Interest	(32,664)	(32,618)	(32,572)	(32,526)	(32,479)	(32,432)	(32,385)	(32,338)	(32,290)	(32,242)	(32,194)	(32,145)	(32,096)	(32,047)	(31,997)	(31,948)	(31,898)	(31,847)
Bank Loan - Principal	(7,859)	(7,905)	(7,951)	(7,997)	(8,044)	(8,091)	(8,138)	(8,186)	(8,233)	(8,281)	(8,330)	(8,378)	(8,427)	(8,476)	(8,526)	(8,575)	(8,625)	(8,676)
Mezz Loan - Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mezz Loan - Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service - Total	(40,523)	(40,523)	(40,523)	(40,523)	(40,523)	(40,523)	(40,523)	(40,523)	(40,523)	(40,523)	(40,523)	(40,523)	(40,523)	(40,523)	(40,523)	(40,523)	(40,523)	(40,523)
DSC - Bank Loan	1.62	1.62	1.62	1.63	1.63	1.63	1.64	1.64	1.64	1.66	1.66	1.66	1.67	1.67	1.67	1.67	1.68	1.67
DSC - Bank + Mezz Loan	1.62	1.62	1.62	1.63	1.63	1.63	1.64	1.64	1.64	1.66	1.66	1.66	1.67	1.67	1.67	1.67	1.68	1.67
Cash Flow Before Reserve Applied	25,013	25,013	25,009	25,378	25,378	25,369	25,851	25,851	25,853	26,605	26,604	26,602	26,978	26,979	26,980	27,351	27,355	27,351
Operating Reserve Applied	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Reserve Released	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow From Operations	25,013	25,013	25,009	25,378	25,378	25,369	25,851	25,851	25,853	26,605	26,604	26,602	26,978	26,979	26,980	27,351	27,355	27,351
Development																		
Hard & Soft Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense - Bank Const. Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Accrual - Mezz. Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Reserve Funded	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Construction Costs	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)												
Cumulative Const. Costs	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)	(6,798,750)												
Sub-total - Project Cash Flow	25,013	25,013	25,009	25,378	25,378	25,369	25,851	25,851	25,853	26,605	26,604	26,602	26,978	26,979	26,980	27,351	27,355	27,351
Capital Events																		
Permanent Loan Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Loan Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Repayment of Constr. Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Repayment of Mezz. Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Proceeds from Refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Selling Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Repayment of Perm. Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Repayment of Mezz. Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Proceeds from Sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Proceeds Capital Events	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total - Project Cash Flow	25,013	25,013	25,009	25,378	25,378	25,369	25,851	25,851	25,853	26,605	26,604	26,602	26,978	26,979	26,980	27,351	27,355	27,351
Sources of Funds																		
Equity - Developer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity - Partner	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Addl Equity - Developer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Addl Equity - Partner	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mezz Debt - Partner	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Project Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total - Project CF for Distribution	25,013	25,013	25,009	25,378	25,378	25,369	25,851	25,851	25,853	26,605	26,604	26,602	26,978	26,979	26,980	27,351	27,355	27,351

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Bay City - Foundry Marketplace
Monthly Cash Flow Forecast

	30-Apr-11	30-Apr-12	30-Apr-13	30-Apr-14	30-Apr-15	30-Apr-16	30-Apr-17	TOTAL Yr 1-10
Project Month / Year	84	96	108	120	132	144	156	
Operation Month / Year	5	6	7	8	9	10	11	
Occupancy - Beginning								
Occupancy - End	0	0	0	0	0	0	0	
Eff. Occupancy % - Average								
Revenues								
Apartment Rental Revenue	-	-	-	-	-	-	-	-
Condominium Sales Revenue	-	-	-	-	-	-	-	-
Retail Rental Revenue	-	-	-	-	-	-	-	-
Foundry Marketplace Rental Revenue	1,125,247	1,228,782	1,339,153	1,379,325	1,281,191	1,362,922	1,507,228	11,724,688
Ancillary Income	-	-	-	-	-	-	-	-
Apt. Vacancy Adjustment 5.0%	(22,505)	(46,922)	(107,132)	(110,347)	(25,624)	(36,747)	(120,579)	(607,360)
Total Revenue	1,102,742	1,181,860	1,232,021	1,268,978	1,255,567	1,326,175	1,386,649	11,117,328
Expenses								
Department Expenses								
Apartment Operating Expenses	-	-	-	-	-	-	-	-
Apartment Real Estate Taxes	-	-	-	-	-	-	-	-
Apartment Management Fee	-	-	-	-	-	-	-	-
Condominium Expenses	-	-	-	-	-	-	-	-
Retail Expenses	-	-	-	-	-	-	-	-
Foundry Marketplace Expenses	319,814	329,407	339,290	349,468	359,952	370,752	381,874	3,257,462
Miscellaneous	-	-	-	-	-	-	-	-
Total Departmental Expenses	319,814	329,407	339,290	349,468	359,952	370,752	381,874	3,257,462
Gross Operating Income	782,928	852,453	892,731	919,510	895,615	955,423	1,004,775	7,859,866
Gross Operating Margin	71.0%	72.1%	72.5%	72.5%	71.3%	72.0%	72.5%	
Non Departmental Expenses								
Taxes	-	-	-	-	-	-	-	-
Association Fees	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Administrative Fee	-	-	-	-	-	-	-	-
Total Operating Expenses	319,814	329,407	339,290	349,468	359,952	370,752	381,874	3,257,462
Net Operating Income	782,928	852,453	892,731	919,510	895,615	955,423	1,004,775	7,859,866
Replacement Reserve - Apts	(14,913)	(15,360)	(15,821)	(16,296)	(16,785)	(17,288)	(17,807)	(151,897)
Cash Flow Before Debt Service	768,015	837,093	876,910	903,214	878,830	938,135	986,968	7,707,969
Bank Loan - Interest	(378,136)	(370,318)	(361,935)	(352,947)	(343,308)	(332,973)		(3,570,788)
Bank Loan - Principal	(108,142)	(115,960)	(124,342)	(133,331)	(142,970)	(153,305)		(1,060,666)
Mezz Loan - Interest	-	-	-	-	-	-		-
Mezz Loan - Principal	-	-	-	-	-	-		-
Debt Service - Total	(486,278)	(486,278)	(486,278)	(486,278)	(486,278)	(486,278)		(4,631,453)
DSC - Bank Loan	1.58	1.72	1.80	1.86	1.81	1.93		
DSC - Bank + Mezz Loan	1.58	1.72	1.80	1.86	1.81	1.93		
Cash Flow Before Reserve Applied	281,737	350,815	390,632	416,936	392,552	451,857		3,076,516
Operating Reserve Applied								-
Operating Reserve Released								-
Net Cash Flow From Operations	281,737	350,815	390,632	416,936	392,552	451,857		3,076,516
Development:								
Hard & Soft Costs								totals (6,464,459)
Interest Expense - Bank Const. Loan								(334,291)
Interest Accrual - Mezz. Loan								-
Operating Reserve Funded								-
Total Construction Costs								(6,798,750)
Cumulative Const. Costs								
Sub-total - Project Cash Flow	281,737	350,815	390,632	416,936	392,552	451,857		(3,722,234)
Capital Events:								
Permanent Loan Proceeds								5,733,495
Less: Loan Fees								(88,002)
Less: Repayment of Constr. Loan								(5,099,063)
Less: Repayment of Mezz. Loan								-
Net Proceeds from Refinancing								548,430
Sale of Property								9,569,286
Less: Selling Expenses								(191,386)
Less: Repayment of Perm. Loan								(4,672,829)
Less: Repayment of Mezz. Loan								-
Net Proceeds from Sale								4,705,071
Total Proceeds Capital Events								5,253,501
Sub-total - Project Cash Flow	281,737	350,815	390,632	416,936	392,552	5,156,928		1,531,267
Sources of Funds:								
Equity - Developer								1,838,988
Equity - Partner								-
Addtl Equity - Developer								-
Addtl Equity - Partner								-
Bank Loan								5,099,063
Mezz Debt - Partner								-
Total Project Sources								6,938,051
Total - Project CF for Distribution	281,737	350,815	390,632	416,936	392,552	5,156,928		8,469,317

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- CONDOMINIUM HOUSING SECTION 1A AND 1B -

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UPTOWN AT RIVER'S EDGE
DISCOUNTED SELLOUT ASSUMPTIONS
CONDOMINIUM HOUSING COMPONENT
SECTION 1A

The important underlying assumptions for this analysis are as follows:

1. Time Frame – The projection period commences on January 1, 2005, the date upon which construction will commence. Our sell-out projection commences as of January 1, 2006, the projected date of completion, and terminates as of December 30, 2008, the projected date of the final closing.
2. Gross Potential Sales Proceeds – Based upon our analysis of the sales price levels achievable in the market, we have projected the gross potential sales proceeds of the condominium units to be \$11,629,527. Net of sales commissions and selling costs, which we have projected to be 6.0%, the total net sales proceeds from the condominium units are projected to be \$10,590,506.
3. Absorption – Our base case projections assume the sales of the units will commence in January 1, 2006. We have projected sales at a pace of 1.0 unit per month. The absorption schedule is detailed below.

UPTOWN AT RIVER'S EDGE RESIDENCES
PROJECTED ABSORPTION SCHEDULE

	<u>Sales</u>	<u>Cumulative</u>
January 2006	3	3
February	2	5
March	2	7
April	1	8
May	1	9
June	1	10
July	1	11
August	1	12
September	1	13
October	1	14
November	1	15
December	1	16
January	1	17
February	1	18
March	1	19
April	1	20
May	1	21
June	1	22
July	1	23
August	1	24
September	1	25
October	1	26
November	1	27
December	1	28
January	1	29
February	1	30
March	1	31
April	1	32
May	1	33
June	1	34
July	1	35
August	1	36

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September	1	37
October	1	38
November	1	39
December	1	40
	<hr/>	<hr/>
	40	40

4. Selling Costs – Our projections include selling and closing costs based on 6% of the gross selling price of the condominium units. These costs include sales commissions and other selling costs, including all legal expenses and recording taxes.
5. Common Area Charges – Our projections include \$500 per month for each of the unsold residential condominium units, which are the estimated costs to the developer for the unsold units.
6. Equity-Debt Ratio – We have assumed 25.0% equity and 75.0% debt.
7. Construction Loan – We have assumed that 75.0% of the hard and soft costs will be financed through a construction loan at an interest rate of 5.0%. The proceeds from the sales of the units will be used to pay down the construction loan before any proceeds flow to the developer.

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UPTOWN AT RIVER'S EDGE
DISCOUNTED SELLOUT ASSUMPTIONS
CONDOMINIUM HOUSING COMPONENT
SECTION 1B

The important underlying assumptions for this analysis are as follows:

8. Time Frame – The projection period commences on January 1, 2005, the date upon which construction will commence. Our sell-out projection commences as of January 1, 2006, the projected date of completion, and terminates as of October 31, 2008, the projected date of the final closing.
9. Gross Potential Sales Proceeds – Based upon our analysis of the sales price levels achievable in the market, we have projected the gross potential sales proceeds of the condominium units to be \$12,477,047. Net of sales commissions and selling costs, which we have projected to be 6.0%, the total net sales proceeds from the condominium units are projected to be \$11,426,428.
10. Absorption – Our base case projections assume the sales of the units will commence in January 1, 2006. We have projected sales at a pace of 1 unit per month. The absorption schedule is detailed below.

UPTOWN AT RIVER'S EDGE RESIDENCES
PROJECTED ABSORPTION SCHEDULE

	<u>Sales</u>	<u>Cumulative</u>
January 2006	2	2
February	1	3
March	1	4
April	1	5
May	1	6
June	1	7
July	1	8
August	1	9
September	1	10
October	1	11
November	1	12
December	1	13
January 2007	1	14
February	1	15
March	1	16
April	1	17
May	1	18
June	1	19
July	1	20
August	1	21
September	1	22
October	1	23
November	1	24
December	1	25
January 2008	1	26
February	1	27
March	1	28
April	1	29
May	1	30
June	1	31
July	1	32
August	1	33

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September	1	34
October 2008	1	35
	<hr/>	<hr/>
	35	35

11. Selling Costs – Our projections include selling and closing costs based on 6% of the gross selling price of the condominium units. These costs include sales commissions and other selling costs, including all legal expenses and recording taxes.
12. Common Area Charges – Our projections include \$500 per month for each of the unsold residential condominium units, which are the estimated costs to the developer for the unsold units.
13. Equity-Debt Ratio – We have assumed 25.0% equity and 75.0% debt.
14. Construction Loan – We have assumed that 75.0% of the hard and soft costs will be financed through a construction loan at an interest rate of 5.0%. The proceeds from the sales of the units will be used to pay down the construction loan before any proceeds flow to the developer.

THE WEITZMAN GROUP, INC.
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PRELIMINARY FEASIBILITY ANALYSIS
UPTOWN AT RIVER'S EDGE
PHASE I

Housing Type: Townhouse Units		Entry Level	Moderately Priced
		40	35
Land	\$415,000	\$1,245,000 (3 Acres)	\$1,666,000 (4 Acres)
Hard Costs			
	\$142,000 x 40	\$5,680,000	
	\$170,000 x 35		\$5,950,000
	Design Contingency @ 7.5% of Hard Costs	\$426,000	\$446,250
	Contractors Fee @ 15% of hard costs	\$915,000	\$829,500
	Sub Total	\$7,021,000	\$7,225,750
Soft Costs			
	Design and Engineering @ 8.0% of hard costs	\$561,000	\$578,740
	Developers Fee @ 3.5% of hard costs	\$245,735	\$252,901
	Marketing Costs	\$150,000	\$250,000
	Contingency of 5.0% of soft costs	\$47,836	\$54,083
	Sub Total	\$1,004,571	\$1,135,724
	Construction Loan Interest	\$736,062	
	Total Hard, Soft, and Land costs	\$8,751,821	\$9,823,786
	Per unit	\$219,000	\$281,000

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CONSTRUCTION BUDGET - CONDOMINIUM - 75 Units

Capital Budget - As of 4/26/04

Acquisition	
Legal	-
Emergency Services	-
Site Acquisition	1,452,500
Brokerage Fee	-
Sub Total	1,452,500

Cost/Unit	Cost/SF	% of Total
100	40	
-	\$0.00	0.00%
-	0.00	0.00%
14,525.00	36,312.50	8.14%
-	0.00	0.00%
14,525.00	36,312.50	8.14%

Hard Costs	
Bldg. Construction - 40	\$ 142,000
Bldg Construction 1B 35	\$ 170,000
Site Preparation + Utilities	-
Surface Site Development	-
Tenant Improvements	-
Subtotal	11,630,000
Performance Bonds	0.000% -
Contractors Fee	15.00% 1,744,500
Design Contingency	7.50% 872,250
Sub Total	14,246,750

56,800.00	142,000.00	31.84%
59,500.00	148,750.00	33.35%
-	0.00	0.00%
-	0.00	0.00%
-	0.00	0.00%
-	0.00	0.00%
-	0.00	0.00%
17,445.00	43,612.50	9.78%
8,722.50	21,806.25	4.89%
-	0.00	0.00%
142,467.50	356,168.75	79.86%

3,017,

Soft Costs	
Design & Engineering	8.0% 1,139,740
Marketing Costs	400,000
Development Fee	3.5% 498,636
Soft Cost Contingency	5.00% 101,919
Contingency	
Subtotal	2,140,295

11,397.40	28,493.50	6.39%
4,000.00	10,000.00	2.24%
4,986.36	12,465.91	2.80%
1,019.19	2,547.97	0.57%
-	0.00	0.00%
-	0.00	0.00%
-	0.00	0.00%
21,402.95	53,507.38	12.00%

Total Project Costs w/o Reserves	17,839,545
Interest During Construction - Bz	5.00% -
Interest During Construction - Mz	15.00% -
Add'l Operating Reserve	-
Total Project Costs with Reserves	17,839,545

178,395.45	445,988.63	100.00%
-	0.00	0.00%
-	0.00	0.00%
-	0.00	0.00%
-	0.00	0.00%
178,395.45	445,988.63	100.00%

Sources	
Total Project Costs	17,839,545
Equity & Mezzanine	4,459,886
Construction Loan	13,379,659

178,395	445,988.63	100.00%
	0.00	0.00%
	0.00	0.00%
	0.00	0.00%
44,599	111,497.16	25.00%
133,797	334,491.47	75.00%

Developer Equity IRR

20.50%

Partner Mezz	15.0%	0%	-	0.00%
Partner Equity		0%	-	0.00%
Developer Equity		25%	4,459,886	25.00%
			17,839,545	100.00%

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Bay City
Monthly Cash Flow Forecast

	31-May-07	30-Jun-07	31-Jul-07	31-Aug-07	30-Sep-07	31-Oct-07	30-Nov-07	31-Dec-07	31-Jan-08	29-Feb-08	31-Mar-08	30-Apr-08	31-May-08	30-Jun-08	31-Jul-08	31-Aug-08	30-Sep-08	31-Oct-08	30-Nov-08
Project Month / Year	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35
Operation Month / Year	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35
Occupancy - Beginning																			
Occupancy - End	39	41	43	45	47	49	51	53	55	57	59	61	63	65	67	69	71	73	74
Eff. Occupancy % - Average																			
Revenues																			
Apartment Rental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Condominium Sales Revenue	648,801	648,801	648,801	648,801	648,801	648,801	648,801	648,801	668,265	668,265	668,265	668,265	668,265	668,265	668,265	668,265	668,265	668,265	668,265
Retail Rental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foundry Marketplace Rental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ancillary Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adj. Vacancy Adjustment 5.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	648,801	668,265																	
Expenses																			
Department Expenses																			
Apartment Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Apartment Real Estate Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Apartment Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Condominium Expenses	58,597	57,504	56,412	55,319	54,226	53,133	52,041	50,948	51,351	50,225	49,100	47,974	46,849	45,723	44,598	43,472	42,347	41,221	18,578
Retail Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foundry Marketplace Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Departmental Expenses	58,597	57,504	56,412	55,319	54,226	53,133	52,041	50,948	51,351	50,225	49,100	47,974	46,849	45,723	44,598	43,472	42,347	41,221	18,578
Gross Operating Income	590,204	591,296	592,389	593,482	594,574	595,667	596,760	597,853	616,914	618,039	619,165	620,290	621,416	622,541	623,667	624,792	625,918	627,043	281,678
Gross Operating Margin									92.3%	92.5%	92.7%	92.8%	93.0%	93.2%	93.3%	93.5%	93.7%	93.8%	93.8%
Non-Departmental Expenses																			
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Association Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Administrative Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	58,597	57,504	56,412	55,319	54,226	53,133	52,041	50,948	51,351	50,225	49,100	47,974	46,849	45,723	44,598	43,472	42,347	41,221	18,578
Net Operating Income	590,204	591,296	592,389	593,482	594,574	595,667	596,760	597,853	616,914	618,039	619,165	620,290	621,416	622,541	623,667	624,792	625,918	627,043	281,678
Replacement Reserve - Apts																			
Cash Flow Before Debt Service	590,204	591,296	592,389	593,482	594,574	595,667	596,760	597,853	616,914	618,039	619,165	620,290	621,416	622,541	623,667	624,792	625,918	627,043	281,678
Bank Loan - Interest	(12,827)	(10,421)	(8,001)	(5,566)	(3,116)	(652)	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank Loan - Principal	(577,377)	(580,675)	(584,388)	(587,916)	(591,458)	(595,398)	-	-	-	-	-	-	-	-	-	-	-	-	-
Mezz Loan - Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mezz Loan - Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service - Total	(590,204)	(591,296)	(592,389)	(593,482)	(594,574)	(595,667)	(596,760)	(597,853)	(616,914)	(618,039)	(619,165)	(620,290)	(621,416)	(622,541)	(623,667)	(624,792)	(625,918)	(627,043)	(281,678)
DSC - Bank Loan	1.00	1.00	1.00	1.00	1.00	3.79	#DIV/0!												
DSC - Bank + Mezz Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Flow Before Reserve Applied	-	-	-	-	-	438,617	596,760	597,853	616,914	618,039	619,165	620,290	621,416	622,541	623,667	624,792	625,918	627,043	281,678
Operating Reserve Applied																			
Operating Reserve Released	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow From Operations	-	-	-	-	-	438,617	596,760	597,853	616,914	618,039	619,165	620,290	621,416	622,541	623,667	624,792	625,918	627,043	281,678
Development																			
Hard & Soft Costs																			
Interest Expense - Bank Const. Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Accrual - Mezz. Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Reserve Funded	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Construction Costs	(18,203,321)																		
Cumulative Const. Costs	(18,203,321)	(18,203,321)	(18,203,321)	(18,203,321)	(18,203,321)	(18,203,321)	(18,203,321)	(18,203,321)	(18,203,321)	(18,203,321)	(18,203,321)	(18,203,321)	(18,203,321)	(18,203,321)	(18,203,321)	(18,203,321)	(18,203,321)	(18,203,321)	(18,203,321)
Sub-total - Project Cash Flow	-	-	-	-	-	438,617	596,760	597,853	616,914	618,039	619,165	620,290	621,416	622,541	623,667	624,792	625,918	627,043	281,678
Capital Events																			
Permanent Loan Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Loan Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Repayment of Const. Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Repayment of Mezz. Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Proceeds from Refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Selling Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Repayment of Perm. Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Repayment of Mezz. Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Proceeds from Sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Proceeds Capital Events	-																		
Sub-total - Project Cash Flow	-	-	-	-	-	438,617	596,760	597,853	616,914	618,039	619,165	620,290	621,416	622,541	623,667	624,792	625,918	627,043	281,678
Sources of Funds																			
Equity - Developer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity - Partner	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advt Equity - Developer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advt Equity - Partner	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mezz Debt - Partner	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Project Sources	-																		
Total - Project CF for Distribution	-	-	-	-	-	438,617	596,760	597,853	616,914	618,039	619,165	620,290	621,416	622,541	623,667	624,792	625,918	627,043	281,678

THE WEITZMAN GROUP, INC.
Real Estate Consultants

- CERTIFICATION OF THE CONSULTANTS -

CERTIFICATION OF THE CONSULTANTS

We hereby certify that The Weitzman Group was engaged to evaluate the marketability and feasibility of developing the real property known as:

Uptown at River's Edge
Bay City, Michigan

To the best of our knowledge and belief, the statements of fact contained in this report upon which the analyses, opinions and conclusions expressed herein are based are true and correct.

This report sets forth all of the limiting conditions (imposed by the terms of our assignment or by the undersigned) affecting the analysis, opinions and conclusions contained in this report.

No one other than the undersigned has prepared the analyses, conclusions and opinions concerning the real estate set forth in this report. The property was personally inspected by Thomas M. Justin, CRE, FRICS, Mark L. Troen, CRE, and Will Harrison, on numerous occasions between September and December, 2003.

This consulting report has been made in conformity with and is subject to the requirements of The Uniform Standards of Professional Practice of The Appraisal Foundation. It is also subject to the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

Our fee for this report is not contingent upon anything other than the delivery of this report.

The consulting assignment was not based on any requested minimum valuation, specific valuation, consulting opinion or approval of a loan.

By:

Marilyn K. Weitzman MAI, CRE
President
The Weitzman Group, Inc.

By:

Thomas M. Justin, CRE, FRICS
Executive Vice President
The Weitzman Group, Inc.

By:

Sherida E. Paulsen, FAIA
Principal
PKSB Architects, PC

By:

William Harrison
Associate
The Weitzman Group, Inc.

By:

Mark L. Troen, CRE
Consultant to the firm

THE WEITZMAN GROUP, INC.
Real Estate Consultants

QUALIFICATIONS OF THE CONSULTANTS

PROFESSIONAL QUALIFICATIONS

MARILYN KRAMER WEITZMAN, MAI, CRE

EDUCATION: B.A., University of Pennsylvania

M.A., University of Pennsylvania
Graduate School of Arts and Sciences

M.B.A., New York University Graduate
School of Business Administration
Beta Gamma Kappa Honor Society
Specialization in Finance

New York University Real Estate Institute
Courses in Advanced Real Estate Finance and
Case Studies in Investment Analysis

EMPLOYMENT: THE WEITZMAN GROUP, INC., New York, NY 1981
Real Estate Consultants to Present

President

Real estate specialists, providing advice and counsel to those engaged in evaluation, buying, selling, leasing, financing, or developing real estate. The services provided by the firm include acquisition and disposition counseling, regional economic analysis, market research, due diligence, development planning, appraisals and expert testimony.

KORPACZ & WEITZMAN, INC., New York, NY
Real Estate Consultants and Appraisers

Principal

Real estate consultants and appraisers providing market analyses, investment analyses, and property valuation services.

LANDAUER ASSOCIATES, INC., New York, NY

Assistant Vice President of Investment Services Division

General real estate consulting including investment analysis, appraisals, feasibility studies and cash flow studies.

AMERICAN CITY CORPORATION, Hartford, CT
Subsidiary of The Rouse Company

Regional Economist

Responsible for aspects of regional planning and market analysis relating to the acquisition of new community sites.

PROFESSIONAL QUALIFICATIONS

MARILYN KRAMER WEITZMAN, MAI, CRE

LEON H. KEYSERLING, Washington, DC
Consulting Economist and Attorney

Junior Economist

Responsible for the collection and analysis of data from government sources and private clients.

MEMBER: Appraisal Institute – MAI (past Vice-Chairman, Education Committee)
Counselors of Real Estate (past National Vice-President)
Urban Land Institute (ULI)
The Real Estate Board of New York, Inc.
Commercial Real Estate Women (CREW)
Association of Real Estate Women (AREW Past President)
Licensed Real Estate Salesperson – New York State

LECTURER: Ingredients and Functions of a Market Study, a seminar sponsored by the New York Chapter of the American Institute of Real Estate Appraisers.

Real Estate Marketability and Investment Feasibility Analysis, a seminar presented for the Real Estate Department of Manufacturers Hanover Trust Company.

Apartment Project Marketability and Investment Feasibility Studies, a seminar presented for the Long Island Chapter of The Society of Real Estate Appraisers.

Residential Development – Marketability and Investment Feasibility Studies, a seminar sponsored by the University of Massachusetts at Sturbridge, Massachusetts.

Feasibility Analysis before the International S.R.E.A. conference in Atlanta.

Guest Lecturer at the Real Estate Institute of New York University on economic base studies, market analysis and appraisal.

ADJUNCT
PROFESSOR: The Real Estate Institute of New York University. Courses include Real Estate Research: Market Analysis and Feasibility Studies; Advanced Applications in Appraisal.

PROFESSIONAL QUALIFICATIONS

THOMAS M. JUSTIN, CRE

EDUCATION: B.S. Economics, Brescia College,
M. A., Economics, West Virginia University
Graduate School of Business and Economics

EMPLOYMENT: THE WEITZMAN GROUP, INC., New York, NY 1981-Present
Real Estate Consultants

Partner

Real estate specialists providing advice and counsel to those engaged in evaluation, buying, selling, leasing, financing, or developing real estate. Prepares and supervises consulting assignments for planned unit developments, multi-family properties, office buildings, shopping centers, mixed-use developments, industrial properties, and special use properties.

KORPACZ & WEITZMAN, INC.
Real Estate Consultants and Appraisers

Vice President and Director of Market Analysis

Prepared and supervised all market analyses and appraisals for planned unit developments, multi-family properties, office buildings, shopping centers, mixed-use developments, industrial properties, and special use properties.

PROCON REAL ESTATE ADVISORY CORPORATION
Englewood Cliffs, New Jersey

Vice President and Director of Market Research

Responsibilities included the supervision and/or preparation of all residential and commercial market analyses. Involved in the development of long and short-term forecasting techniques used in estimating the demand for residential, office and retail land uses.

PROFESSIONAL QUALIFICATIONS

THOMAS M. JUSTIN, CRE

WILLIAM E. BECKER AND ASSOCIATES
Paramus, New Jersey

Director of Market Research

General real estate consulting with emphasis on residential market analysis and the evaluation of distressed properties. Responsible for coordinating all project assignments and related staff functions. Prepared and conducted seminars for corporate and government clients desiring to develop internal real estate market research capabilities.

MEMBER:

Counselors of Real Estate -CRE-
National Chairperson – Consulting Corps Counselors of Real Estate
Chairperson – Real Estate Advisory Coalition
Urban Land Institute (ULI)
New York University – Adjunct Professor – Real Estate Institute-Master Program

SPEAKER:

Guest Speaker – Urban Land Institute Annual Meetings
Guest Speaker – New York University Masters Program of the Real Estate Institute

PROFESSIONAL QUALIFICATIONS

WILL R. HARRISON

EDUCATION:

University of Hartford 1997
West Hartford, Connecticut

New York University 2003
Income and Property Valuation
Real Estate Investment and Analysis
Accounting

EMPLOYMENT:

THE WEITZMAN GROUP, INC. 2003-Present
Associate
Real Estate specialists providing advice and counsel to those
engaged in evaluating, buying, selling, leasing, financing, or
developing real estate.

Business and Legal Reports 1999-2002
Web Developer
Publish state and federal Human Resources, Safety, and Environmental
compliance and training solutions.

PROFESSIONAL QUALIFICATIONS

SHERIDA E. PAULSEN, FAIA

Sherida E. Paulsen has expanded the role of preservation in the urban environment. As Commissioner and Chair of the New York City Landmarks Preservation Commission with responsibility for a local – indeed a national – architectural legacy, Paulsen has emphasized that preservation can and should be a catalyst for new buildings of landmark quality. As the first architect to head the LPC in over ten years, she built Commission consensus for some of the most distinctive new buildings in New York including The Polshek Partnership’s Rose Center for Earth and Space at the American Museum for Natural History, Aldo Rossi’s Scholastic Building in Soho, Renzo Piano’s additions to the Morgan Library, and Norman Foster’s new tower atop Joseph Urban’s Hearst Building.

She has also championed the protection of New York City’s 20th Century masterpieces, including the TWA Terminal, The Time-Life Building Lobby and Marcel Breuer’s Begrisch Hall, and respect for neighborhoods of cultural importance, including Harlem’s Sugar Hill and the Gansevoort Market historic districts.

Ms. Paulsen is a registered architect in the state of New York, and is currently a partner at the architectural firm, PKSB Architects, Chair of the Van Alen Institute, and a director of the Governors Island Preservation and Education Corporation. In addition she serves on the boards of WX, the Skyscraper Museum, and the Landmarks Preservation Foundation, and is a member of the Landmarks Conservancy’s Advisory Council. She is also a Fellow of the American Institute of Architects and the Institute for Urban Design.

PROFESSIONAL QUALIFICATIONS

MARK L. TROEN, CRE

EDUCATION: M.B.A., The Wharton School, University of Pennsylvania 1982
Major in Entrepreneurial Management with emphasis on
Real Estate Development and Finance.

M. ARCH., University of Pennsylvania 1979
Elective courses included extensive study in related fields of
Landscape Architecture, Urban Design, and City Planning.

AB Degree, *Cum Laude* , Harvard College 1976
Majored in Economics with emphasis on Urban Economics and
Public Finance.

EMPLOYMENT: MAX CAPITAL MANAGEMENT CORP., New York, NY 2003-Present
Chief Development Officer. Responsible for planning and directing
all real estate development activities including land, building and site
acquisition activities for Max Capital, a diversified real estate firm
with a \$2.5 Billion portfolio headquartered in New York City.
Direct new property development, renovations and repositioning of
existing properties, including a seven million square foot office,
mixed-use, and residential property portfolio.

THE WEITZMAN GROUP, INC., New York, NY 2000-2003
Senior Vice President. Direct feasibility, marketability, strategic
planning and project development services for mixed-use, land,
retail, residential and commercial properties. Provide financial,
strategic and market consulting to major developers, institutional real
estate investors, real estate firms and related businesses across the
United States.

THE WINNMARK GROUP, Washington, DC 1995-2000
Principal. Direct project development and management activities for
mixed-use, land, retail, residential and commercial properties
throughout the United States. Development manager for a \$300
million, 1.5 million square foot mixed-use office, retail, and
entertainment project in suburban Washington, DC.

MARINE MIDLAND BANK, New York, NY 1991-1995
Vice President. Analyze financial potential, conceive overall
strategy and create transaction structure in order to manage, develop,
market and dispose of assets held in portfolio. Enhance value and
maximize returns to bank. Prepare and implement comprehensive
financial, feasibility and business plans for each asset. Oversee and
direct activities of support staff, management companies,
development teams and consultants. Develop strategies to ensure
suitability, timeliness and execution of financial, credit and legal
positions.

PROFESSIONAL QUALIFICATIONS

MARK L. TROEN, CRE

MLT ASSOCIATES, West Palm Beach, Florida 1990-1991
President. Provide specialized real estate, financial, strategic and marketing services nationwide. Offer real estate development and asset management solutions that uncover value, establish comprehensive strategy to achieve goals and promote informed decision-making by businesses, governments and individuals.

SECURITY PACIFIC REALTY
ADVISORY SERVICES, New York, NY 1982-1990
Vice President & Project Director (1988-1990). Direct multi-disciplinary teams in land development and building projects. Market company services to prospective clients. Initiate and oversee formation of creative financial and transaction strategies. Implement project recommendations and negotiate successful project completions, joint ventures, and sales. Present results and conclusions to corporation boards and executives.

Vice President (1986-1988). Direct strategy and coordinate financial analysis. Prepare and analyze complex financial packaging structures, risk/reward analyses, and disposition strategies. Manage and direct company financial analysts in performing responsibilities.

Senior Associate (1983-1986). Manage selected projects, coordinating design, planning, and market research in addition to basic financial analysis. Financial Analyst (1982-1983). Undertake financial research. Create financial pro formas. Write reports presenting findings and conclusions.

MEMBER: Urban Land Institute (ULI). Member of the Urban Development Mixed-Use Council. ULI Advisory Services Panel.
Counselors of Real Estate (CRE). Participant on CRE Consulting Corps Panel.
American Institute of Architects (AIA). Registered Architect (Florida, NCARB).
Leadership Montgomery, Class of 1996.
Board of Directors, Congregation Beth Simchat Torah

PUBLICATIONS: Published articles in professional journals including The CRE Real Estate Journal, Real Estate Forum and the Real Estate Finance Journal.

SPEAKER: Speaker and lecturer at conferences and professional education seminars, including CRE, IRDC, NACORE, and AMA.

THE WEITZMAN GROUP, INC.
Real Estate Consultants